Registered No. 03690830

LUXFER HOLDINGS PLC

Annual Report and Financial Statements

31 December, 2016

Contents

Glossary of Terms

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

ADR	American Depositary Receipt which evidences an ADS, being the uncertificated form in which the Company's ordinary shares are traded on the NYSE. One ordinary share is represented by one ADR.
ADS	American Depositary Share, the uncertificated form in which the Company's ordinary shares are traded on the NYSE. One ordinary share is represented by one ADS.
AGM	Annual General Meeting of the Company.
Articles	The Articles of Association of Luxfer Holdings PLC adopted by special resolution of the Company on 26 October 2011, effective from the date of the I.P.O.
Companies Act	U.K. Companies Act 2006.
FPI	Foreign Private Issuer under the SEC registration rules.
Group	Luxfer Holdings PLC and its subsidiaries.
I.P.O.	The Initial Public Offering in the U.S. completed by Luxfer Holdings PLC on 9 October, 2012.
NYSE	New York Stock Exchange.
£0.50 Ordinary shares	The Company's ordinary shares of £0.50 each.
SEC	Securities and Exchange Commission of the U.S.
Year	1 January, 2016, to 31 December, 2016.
LTiP	Long-Term Umbrella Incentive Plan.

STRATEGIC REPORT

Principal Activities and Review of the Business

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

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

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

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

FORWARD-LOOKING STATEMENTS

This Strategic Report contains certain statements, statistics and projections that are, or may be, forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding our future financial position, strategy, plans and objectives for the management of future operations, is not warranted or guaranteed. These statements typically contain words such as "believes," "intends," "expects," "anticipates," "estimates," "may," "will," "should" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. Although we believe that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to:

- general economic conditions or conditions affecting demand for the services offered by us in the markets in which we operate, both domestically and internationally, including as a result of the Brexit referendum, being less favourable than expected;
- worldwide economic and business conditions and conditions in the industries in which we operate;
- fluctuations in the cost of raw materials and utilities;
- currency fluctuations and other financial risks;
- our ability to protect our intellectual property;
- the significant amount of indebtedness we have incurred and may incur and the obligations to service such indebtedness and to comply with the covenants contained therein;
- relationships with our customers and suppliers;
- increased competition from other companies in the industries in which we operate;
- changing technology;
- claims for personal injury, death or property damage arising from the use of products produced by us;
- the occurrence of accidents or other interruptions to our production processes;
- changes in our business strategy or development plans, and our expected level of capital expenditure;
- our ability to attract and retain qualified personnel;
- restrictions on the ability of Luxfer Holdings PLC to receive dividends or loans from certain of its subsidiaries;
- regulatory, environmental, legislative and judicial developments;
- our intention to pay dividends; and
- factors that are not known to us at this time.

The Group cautions 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 Group does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Luxfer Group is comprised of two reporting divisions:

The **Elektron Division** focuses on speciality materials based primarily on magnesium, zirconium and rare earths. We sell our products through two brands.

Under our ***Magnesium Elektron*** brand, we develop and, in almost all cases, manufacture advanced lightweight, corrosion-resistant, heat-resistant and flame-resistant magnesium alloys, magnesium powders, magnesium plates and rolled sheets, photo-engraving plates, magnesium products for biomedical applications, seawater-activated batteries and soluble magnesium alloys. Our lightweight magnesium alloys and components are used in the aerospace and automotive industries. Our magnesium powders are used in the defence industry for countermeasure flares to protect aircraft against missile attack. Our photo-engraving plates are used in the graphic arts industry. Our seawater activated batteries are used in military applications. Our soluble magnesium alloys are used in the oil and gas industry. Luxfer Magtech Inc., acquired in 2014, produces magnesium-based flameless heating pads for self-heating meals used by the U.S. military and emergency relief agencies; an extensive line of self-heating meals, soups and beverages used by military and civilian end-users; chemical agent detection kits and chemical decontamination equipment; and seawater desalination kits.

Under our ***MEL Chemicals*** brand, we develop and manufacture speciality zirconium compounds for use in automotive exhaust catalysts, industrial catalysts, ceramic sensors for electronics, structural ceramics, thermal barrier coatings for aerospace, filters for water purification and dental ceramic crowns and implants.

The **Gas Cylinders Division** manufactures products made from aluminium, composites and other materials using technically advanced processes. We sell our products through two brands.

Under our ***Luxfer Gas Cylinders*** brand, we develop and manufacture advanced high-pressure aluminium and carbon composite cylinders used to contain medical oxygen, breathing air for fire-fighters and other first-responders, clean-burning compressed natural gas for alternative fuel vehicles and power plants, hydrogen for fuel-cell-powered vehicles, speciality gases used in microchip and electronics manufacturing, carbon dioxide for fire extinguishers and beverage dispensing, inflation gases for aerospace, air and gas mixtures for scuba diving, nitrous oxide to enhance engine performance in race cars and boats, and gases used in a variety of general industrial applications.

Under our ***Superform*** brand, we design and manufacture lightweight aluminium, titanium and magnesium panels superformed into highly complex shapes to a wide range of industries, including aerospace, specialist automotive, rail transport and healthcare.

Strategy and Business Model

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

- Maintaining technical excellence relating both to our products and to the processes needed to make them;
- Building and maintaining strong, long-term customer relationships;
- Selling high-performance products into speciality markets that require products with high-technology content for which customers are willing to pay premium prices;
- 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; and
- Achieving high levels of manufacturing excellence by improving processes and reducing operating costs, thus insulating us against competitors in low-labour-cost economies.

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.

Group Key Performance Indicators ("KPIs")

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

Table 1: Group Key Performance Indicators		**2016**	2015	2014	2013	2012
Operating performance						
Revenue	$m	**414.8**	460.3	489.5	481.3	511.6
Net Revenue (Revenue excluding rare earth surcharge)	$m	**414.8**	460.3	487.3	472.9	471.1
Trading profit[8]	$m	**35.3**	42.3	44.8	59.2	68.5
Adjusted net income[1]	$m	**24.7**	29.5	30.9	39.8	44.7
Basic earnings per share[7]	$	**0.83**	0.60	1.09	1.27	1.84
Adjusted net income basic earnings per share[7]	$	**0.93**	1.10	1.15	1.48	2.08
Adjusted EBITDA[2]	$m	**55.3**	62.2	64.8	76.6	83.2
Revenue per employee	$'000s	**246**	270	290	300	337
Return on revenue[3]	%	**8.5**	9.2	9.2	12.3	13.4
Return on invested capital[4]	%	**11.8**	12.4	14.1	21.6	28.1
Financial performance						
Net cash flow from operating activities	$m	**29.2**	52.8	23.0	37.1	69.0
Net debt to EBITDA[9]	times	**1.9**	1.5	1.6	0.5	0.3
Non-financial performance						
Number of days lost following accidents at work[5]	work-days	**215**	285	261	973	929
ISO 14001 environmental management system certification[6]	%	**91.8**	87.6	88.0	90.8	72.8
Economic indicators						
Average aluminium price (three-month LME)	$/tonne	**1,610**	1,674	1,896	1,887	2,049
Average U.S. dollar to GBP sterling exchange rate	$:£	**1.34**	1.52	1.65	1.57	1.59
Average Euro to GBP sterling exchange rate	€:£	**1.22**	1.38	1.27	1.18	1.23

Notes

1. A non-GAAP measure for net income after tax, excluding certain non-trading items. Reconciliation to GAAP measure is disclosed in Note 10 of the consolidated financial statements.

2. A non-GAAP measure for earnings before interest, tax, depreciation and amortisation. Reconciliation to GAAP measure is disclosed in Note 2 to the consolidated financial statements.

3. Return on revenue is measured as trading profit divided by revenue.

4. Return on invested capital is defined as the after-tax trading profit divided by shareholders' equity plus net debt.

5. Under regulations issued by the Occupational Safety & Health Administration of the U.S. Department of Labor, the number of days absent for each accident is capped at 180 days.

6. Percentage of Group revenue originating from ISO14001-certified businesses.

7. Each American Depositary Share ("ADS") listed on the NYSE represents one ordinary share.

8. Trading profit is defined as operating profit or loss before profit on sale of redundant site, changes to defined benefit pension plans and restructuring and other expense.

9. Net debt is defined as cash and cash equivalents less non-current bank and other loans.

Review of the Year Ended 31 December, 2016

2016 proved to be a challenging year for the Group, with trading performance below Company and market expectations. The Group continues to address short term declines in revenue and profitability whilst also focusing on the long-term position through the continued development of new product technologies. Group revenue, net of exchange rate translation, fell by $32.1 million from the previous year.

Trading profit in 2016 of $35.3 million represented a 16.5% decrease over the reported $42.3 million in 2015. Net income for 2016 was $21.9 million and adjusted earnings were $24.7 million, compared to $29.5 million in 2015. The fall in profitability was a result of a weakness in trading in our Elektron Division, primarily the magnesium business; however, our Gas Cylinders Division's performance improved when compared to 2015, predominantly as a result of increased sales and cost reductions in the alternative fuel (AF) business.

Cash generated from operating activities was $29.2 million in 2016, down from $52.8 million in 2015, due to movements in working capital and provisions alongside a decrease in EBITDA. The Group has continued to return funds to its shareholders in the form of regular dividends each quarter throughout 2016 and through the continued share buy-back program.

The ratio of Net Debt to adjusted EBITDA at the end of 2016 was 1.9x compared to 1.5x at the end of 2015, mainly as a result of the decrease in adjusted EBITDA compared to 2015.

Translation Exchange Rates

The consolidated financial statements are presented in U.S. dollars. The two principal currencies used to translate the results of non-U.S. operations are GBP sterling and the euro. In 2016, the GBP sterling was, on average, significantly weaker against the U.S. dollar than in 2015, resulting in unfavourable movements when translating the operating results of U.K. operations into U.S. dollars. The euro was also on average weaker against the U.S. dollar than in 2015, resulting in unfavourable movements when translating the operating results of European operations into U.S. dollars. The net effect was a loss of $13.4 million on revenue; however, there was a gain of $1.6 million on operating profit when translating the operating results of non-U.S. operations into U.S. dollars.

Revenue

On an IFRS reported basis, Group revenue for the 12-month period from operations was $414.8 million, a decrease of $45.5 million from $460.3 million in 2015. Compared to 2015, revenue reflected a $13.4 million loss from less-favourable average translation exchange rates. Thus, underlying revenue, net of exchange rate translation, fell by $32.1 million. Reasons for the revenue change are discussed in detail by division, but in general, there were lower sales of our automotive materials for catalysis and magnesium recycling services, along with lower sales of U.S. defence-related products following cuts to U.S. defence spending. We did, however, achieve higher sales in the AF market, which is still subdued by the low oil price and following on from the launch of our SoluMag® alloy in 2015, sales of that have continued to improve throughout 2016.

Elektron Division revenue in 2016 was $189.0 million compared to $221.2 million in 2015. Exchange rate translation differences were adverse by $6.5 million, and underlying revenue was $25.7 million, or 12.0%, lower than 2015. Revenue was lower in the Division primarily due to reduced sales of automotive catalysis materials, currently in transition to a new generation of technology, and a reduction in lower-margin magnesium recycling services. In the second half of the year, sales of U.S. defence-related magnesium products were depressed reflecting lower levels of U.S. defence spending. However, revenue from European high-performance aerospace alloys and industrial catalysis chemical products increased, as did sales of our new SoluMag® alloy. Photo-engraving revenue was impacted by de-stocking at distributors in the latter part of the year, as we made a transition to selling direct to certain customers instead of through distributors. This action will enable us to better support major customers and take cost out of the supply chain.

Gas Cylinders Division revenue was lower at $225.8 million compared to £239.1 million in 2015. Exchange rate translation differences were adverse by $6.9 million, and underlying revenue was $6.4 million, or 2.8%

lower than 2015. Revenue was lower in the Division largely due to depressed medical cylinder demand, in part due to our customers reassigning stocks of cylinders between regions, rather than buying new cylinders. On a positive note, the AF business continued to perform well with year-on-year growth and sales of industrial cylinders also up. Superform sales were down slightly on 2015 due to lower forming sales as we run down old contracts, but tooling sales on new long-term contracts have increased as a result of the new business won with Ferrari and other prestige car manufacturers.

Cost of Sales and Gross Profit

The gross profit margin for 2016 of 22.5% was slightly down on 2015 at 22.6%.

The average LME price for aluminium was $1,609 per metric ton in 2016, a decrease of $65 per metric ton, or 3.8%, from the 2015 equivalent figure. Magnesium costs increased in 2016 compared to the previous year with the average price of Chinese magnesium on a free on board basis being $2,197 per metric ton, a $57 per metric ton increase in 2016 compared to 2015.

Distribution Costs, Administrative Expenses and Other Trading Items

The total of these costs in 2016 was $58.1 million, compared to $61.7 million in 2015. Administrative expenses decreased by $1.8 million due to an exchange rate gain from our non-U.S. operations, partially offset with a small underlying increase due to inflation. Distribution costs also decreased by $0.1 million, due to an exchange rate translation gain from non-U.S. operations, reflecting increased levels of exports from the U.K. to the U.S., which more than offset the lower sales activity in 2016. In 2016, there was a profit of $0.5 million attributable to the joint ventures and associates, compared to a loss of $1.2 million in 2015.

Trading Profit

Trading profit for 2016 was $35.3 million compared to $42.3 million for 2015, down 16.5%.

Elektron Division trading profit of $23.9 million in 2016 was a decrease of $9.8 million from $33.7 million in 2015. Changes in exchange rates used to translate divisional trading profit into U.S. dollars led to a $0.7 million translation loss in 2016. Favourable transaction rates increased profits by $1.8 million, and trading profit at constant translation exchange rates therefore decreased by $10.9 million, or 31.3%.

The reduction in trading profit for the Elektron Division was primarily due to the challenges faced in the magnesium business highlighted above. However, zirconium has held up well during the transition in autocatalysis technologies, with trading profit being flat compared to the prior year, helped by the progress in chemical catalysis.

There was an adverse variance of $11.0 million from 2015 due to changes in sales volumes and mix across the division and other trading variances net of price changes were adverse by $0.4 million as a result of reduced selling prices on our zirconium products, net of reduced raw material costs. Employment and other costs decreased by a net $0.5 million, driven by cost-saving activities initiated in 2016.

Gas Cylinders Division trading profit of $11.4 million in 2016 was an increase of $2.8 million from $8.6 million in 2015. Changes in exchange rates used to translate divisional trading profit into U.S. dollars led to a $0.2 million translation gain in 2016. Less-favourable transaction rates reduced profits by $2.1 million. Trading profit at constant exchange rates therefore increased by $4.7 million or 70.1%.

Sales of aluminium cylinders fell across all markets, other than industrial, while composite cylinder unit sales increased. Volume and sales mix variances had a total negative impact of $2.4 million compared to 2015, although material costs and sales prices offset this, being favourable by $6.1 million.

Savings of $1.0 million in employment and other costs were achieved in 2016 through a reduction of administrative headcount and various efficiency improvement projects.

Adjusted EBITDA

Adjusted EBITDA, defined as profit for the period before taxation for the period, finance income (which comprises interest received) and costs (which comprises, interest costs, IAS 19R retirement benefits finance charges and the unwind of the discount on deferred contingent consideration from acquisitions), other income / (expense) from acquisitions and disposals of businesses, profit on sale of redundant site, changes to defined benefit pension plans, restructuring and other (expense) / income, other share-based compensation charges, loss on disposal of property, plant and equipment and depreciation and amortisation, was $55.3 million in 2016, a margin on sales of 13.3%, compared to $62.2 million and 13.5%, respectively, in 2015.

Operating Profit

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

A profit of $2.1 million has been recognised in relation to the sale of the redundant Redditch site to a company that specialises in remediating contaminated land.

Restructuring and other expenses were $2.2 million for the year, which included rationalisation costs of $0.4 million in the Elektron Division. In addition, we incurred $0.6 million of costs in our Elektron Division related to patent infringement litigation against a competitor. The remaining charge of $1.2 million related to a receivable impairment charge in relation to an aerospace customer that has entered Chapter 11 protection in the U.S.

After these items, operating profit was $35.8 million, down from $37.9 million in 2015.

Net Acquisition and Disposal Costs

In 2016, we incurred a non-operating credit of $0.2 million compared to a $2.0 million charge in 2015. There was a $0.5 million credit related to the remeasurement of deferred contingent consideration arising from the Elektron Division's acquisition of Luxfer Magtech where an element of deferred contingent consideration was no longer payable due to the acquired business failing to achieve a profit trigger as at 31 December, 2016. This was offset by a $0.3 million charge in relation to costs incurred on a potential acquisition which was subsequently aborted.

Finance Costs

Net interest costs were $5.6 million in 2016 compared to $6.9 million in 2015. Costs were lower in 2016 as a result of the refinancing exercise that was carried out during the year which led to a reduction in the interest rates on the private placement loans. The IAS 19R retirement benefits finance charge was $2.1 million compared to $3.0 million in 2015, as a result of the deficit being lower for the majority of 2016 than it was for 2015. In 2016, there was a $0.4 million charge in relation to the unwind of discount on the deferred contingent consideration that arose from the acquisitions of Luxfer Utah and Luxfer Magtech in 2014.

Profit before Taxation

Our profit before taxation was $27.9 million in 2016, a 9.0% increase compared to the $25.6 million in 2015. Our margin on profit before tax was 6.7% in 2016 and 5.6% in 2015.

Taxation

In 2016, our tax expense was $6.0 million on profit before tax of $27.9 million. The statutory effective tax rate was 21.5% on the profit before tax. Of the charge of $6.0 million, $3.7 million (13.3% effective rate) related to current tax payable and $2.3 million (8.2% effective rate) was a deferred income tax charge. In 2015, our tax expense was $9.5 million on profit before tax of $25.6 million. The statutory effective tax rate was 37.1% on the profit before tax. Of the charge of $9.5 million, $6.1 million (23.8% effective rate) related to current tax payable and $3.4 million (13.3% effective rate) was a deferred income tax charge. In recent years our statutory effective tax rate has been affected by various non-trading items. The statutory effective tax rate for 2016 decreased to 21.5%. The 2015 effective tax rate was affected as nearly all of the $21.8 million of restructuring costs in the Gas Cylinders Division did not lead to a tax credit due to losses in AF operations. The effective rate excluding the effect of these losses in 2015 was 22.6%.

Net Income for the Period

Net income for the period was $21.9 million, compared to $16.1 million in 2015. The increase can be attributed to lower restructuring and other expenses, offset by a lower credit for changes to defined benefit pension plans. Adjusted earnings, which excludes the after tax impact of non-trading items, was $24.7 million, down on the adjusted earnings for 2015 of $29.5 million.

Cash Flow

In 2016, net cash flows from operating activities decreased by $23.6 million to $29.2 million, from $52.8 million in 2015. There was a net working capital outflow of $7.6 million in 2016 compared to an inflow of $7.1 million in 2015, an unfavourable variance of $14.7 million. The decrease in inventories resulted in a cash inflow of $4.5 million in 2016, a $1.5 million increase from a cash inflow of $3.0 million in 2015. There was an outflow in receivables of $1.8 million in 2016, compared to an inflow of $5.0 million in 2015, an unfavourable movement of $6.8 million. The average days taken to collect debt increased slightly in 2016 to 49 days, compared to 46 days in 2015. There was also an outflow in payables of $10.3 million in 2016, an increase of $9.4 million from the $0.9 million outflow in 2015. Payable levels reduced in the latter part of 2016, with reduced purchasing of new raw materials, as a result of the decreased sales volumes. Lower average indebtedness, coupled with the refinancing of our private placement loans, resulted in the net interest costs of $5.6 million in 2016 being $1.3 million lower than the $6.9 million in 2015. The gain on the changes to defined benefit pension plans of $0.6 million in 2016 and $18.2 million in 2015 were non cash. There was an outflow in provisions of $2.6 million in 2016. The non-cash restructuring charges of $17.7 million incurred in 2015 did not recur in 2016; neither did the $1.2 million inflow from the sale of assets classified as held for sale.

Net cash used in investing activities decreased by $6.1 million, or 28.8%, to $15.1 million in 2016 from $21.2 million in 2015. Capital expenditure in 2016 was $16.5 million, an increase of $1.2 million from the $15.3 million expenditure in 2015. In addition, we incurred $2.4 million of expenditure on intangibles in 2016. We had an inflow of $3.0 million and $0.4 million respectively in relation to proceeds from the sale of the redundant Redditch site and sales of property, plant and equipment. There was also $0.2 million received from compensation for insured assets. Investment in joint ventures and associates was a $0.2 million inflow, compared with a $4.2 million outflow in 2015. Interest income from joint ventures decreased to $0.3 million, compared with $0.4 million in 2015. We had a net cash outflow of $0.3 million in relation to purchase of businesses.

Net cash flows from financing activities decreased by $26.3 million to a $35.5 million outflow in 2016, from a $9.2 million outflow in 2015. Cash outflows in respect of dividend payments to holders of our ordinary shares were $13.3 million, $2.5 million up on 2015 as a result of the increase in the quarterly dividend from $0.10 per share to $0.125. Total interest paid on the borrowings was $6.4 million, down $0.2 million on the $6.6 million paid in 2015. Repayments of $8.5 million were made to the banking facilities, compared to $9.6 million of drawdowns in 2015, a movement of $18.1 million. Following the approval of a share buyback program at the 2014 Annual General Meeting, the purchase of 634,185 shares resulted in a cash outflow in 2016 of $6.3 million, compared with $1.9 million in 2015.

Shareholder Equity and Borrowings

Shareholder equity as at 31 December, 2016, was $141.9 million, compared to $169.7 million at 31 December, 2015, the decrease being primarily attributable to the negative effect of translating non-U.S. assets at the 2016 exchange rates and the remeasurement of defined benefit retirement plans. The Group had gross debt of $121.0 million and net debt of $107.4 million as at 31 December, 2016. Invested capital, defined as total shareholder equity plus net debt, was $249.3 million as at 31 December, 2016; this compares to an equivalent figure of $264.4 million in 2015. The ratio of the return on invested capital (defined as trading profit for the year, less notional tax, divided into invested capital) was 11.8% in 2016.

Future Developments

Over the year, we had a relatively encouraging first half, but the shortage of orders for magnesium-based products, particularly defence-related, reduced consolidated results for the second half.

In the Gas Cylinders Division, we successfully restored profitability to the AF business from the losses of 2015, despite the continuing market weakness caused by low oil prices. European medical demand remained compressed throughout 2016, resulting in reduced European cylinder shipments. North American SCBA demand finished flat compared to 2015, although with a stronger first half than second.

In the Elektron division, the profitability of our zirconium chemicals units was slightly improved as we continued transitioning to new technologies. Sales of high-performance magnesium alloys, which had fallen in 2015 under the impact of lower helicopter build rates (weaker spending by defence and oil and gas industries), stabilised. We made steady progress with our proprietary SoluMag® oil and gas alloy, selling $4m of product into a difficult market and providing enhanced productivity to an important customer base. The launch of Biotronik's Magmaris scaffold, based on our SynerMag® alloy, was a major milestone.

Sterling appears to have currently settled at around 18% down on its value prior to the 'Brexit' vote in June. We remain optimistic that exchange rates, which have been unhelpful in 2016, will be a significant benefit in 2017 and beyond.

New products and sales initiatives, arising from our strategic growth initiatives, are collectively expected to generate a progressively meaningful contribution in 2017. These include the bioresorbable scaffold, other new medical products and services, geographic expansion of Luxfer Magtech, and a step-change in the capacity of our Superform business in the second half of the year.

We have seen some recovery in 2017 order cover for both military flares that use our atomised magnesium powders and military meals that use our flameless heaters, with new awards or contracts covering 2017 requirements for these products having been placed by U.S. government agencies in Q4 2016. We have also received improved forecasts from European customers for medical cylinders. While our order book is still lower than normal in certain areas, management is confident that full-year 2017 adjusted earnings should be restored to near the level achieved in 2015, which means at least 10% higher than 2016. We expect that it will take at least until the second quarter of 2017 before we get the full benefit of new contracts.

We expect 2017 capital expenditure to be in the range of $20 million to $24 million.

Based on the rates achieved in 2016 and our anticipated mix of profits across the globe, we expect our effective tax rate to be approximately 25% in 2017.

Essential Contracts or Arrangements

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

Environmental Matters and Corporate Social Responsibility

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

Helping Create a Greener World

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

Managing Environmental Impact

We, and our predecessor businesses, have been around for a long while, and a number of our sites have been manufacturing at their locations for several decades, including during times when there was less awareness about protecting the environment. Today we are very focused on minimising any on-going environmental impact from our operations and we are also proactively and progressively clearing those legacy issues that we acquired in 1996 with the businesses that now comprise the Luxfer Group. We estimate that our expenditures on environmental matters could be approximately $0.3 million in 2017.

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

14 of our 20 sites had achieved certification by the end of 2016. The Group has chosen the proportion of sales revenue generated from ISO 14001-compliant sites as a non-financial key performance indicator, and this figure has now reached 92%.

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

The U.S. E.P.A. (United States Environmental Protection Agency) and a number of chemical companies are in dispute over the chemical technicalities of the types of chemicals required to be registered under the Toxic Substances Control Act 1976 ("TSCA"). The dispute is over the classification of chemical mixtures. Given we manufacture mixed oxides, we are involved in this matter. We expect the matter to be resolved without any major disruption in our supply chain, but there remains a risk that the dispute escalates to more formal legal proceedings.

Managing Energy Use

Energy is a major requirement for the Group's activities, which involve melting and forming metals, changing the state of chemicals, and running heavy machinery. Our U.K. plants have signed up for the European-wide ESOS programme aimed at minimising energy usage and we undertook baseline audits during 2016.

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

Greenhouse Gas Emissions

Each business unit monitors its usage of the following:

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

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

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

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

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

The Greenhouse Gas ("GHG") emissions statement below provides a summary of the Group GHG (carbon) emissions for the year ended 31 December, 2016, compared to 2015.

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

Scope 1 emissions:	Direct emissions from sources owned or operated by the Group such as combustion of gas;
Scope 2 emissions:	Indirect emissions attributable to the Group due to its consumption of electricity.

We do not collect details of emissions from travel.

Greenhouse Gas Emission Statement

Baseline year	Full year 2016
Consolidation Approach	Operational control.
Boundary	Consolidated factories operated by us to manufacture Group products.
Emission factor data source	U.K. sites: Conversion factors published by the Carbon Trust. U.S. sites: Conversion factors published by the U.S. Environmental Protection Agency for the individual State in which the site is situated. Sites in other countries have used their relevant countries conversion factor.
Intensity ratio	CO_2 equivalent tonnes per $1 million of sales value ($1mSV).
Group Metric – Sales value	**$414.8 million in 2016** (2015: $460.3 million).

Greenhouse Gas Emission Source

	2016		2015	
	(tCO_2e)[1]	(tCO_2e/$1mSV)	(tCO_2e)[1]	(tCO_2e/$1mSV)
Scope 1 Fuel combustion (natural gas and propane) and operation of facilities	62,707	153.2	65,881	143.1
Scope 2 Purchased electricity	43,011	105.1	45,683	99.2
Statutory total (Scope 1 & 2)[2]	**105,718**	**258.4**	**111,564**	**244.3**

Notes:

1. Tonnes of CO_2 equivalent.
2. Statutory carbon reporting disclosure required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Although our overall CO_2 emissions fell by 5.2%, lower sales revenue in some markets and the effect of the movement in exchange rates have resulted in poorer energy efficiency, so our CO_2 sales per $million of sales rose by 5.8%. At constant exchange rates, our CO_2 sales per $million of sales rose by only 2.5%.

Industry Engagement

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

Our People

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

All Employee Share Schemes

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

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

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

Training and Development

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

We first launched a corporate management development programme in 2012 aimed at developing junior and middle managers into future leaders. Those employees graduated in early 2015 and building on the success of the programme we have launched a new two-year development programme for other selected junior and middle managers who are due to graduate in 2017.

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

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

Further information on employee policies, communication and engagement can be found in the Directors' Report on pages 34 to 37.

At 31 December, 2016, the number of employees was as follows:

Employees *	Male	Female
Directors of Luxfer Holdings PLC	8	-
Senior Managers	24	3
Employees	1,422	250

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

Health and Safety

We want our sites to be safe places to work so we closely monitor near-misses, injuries and lost-time accidents ("LTAs"). We have chosen days lost from LTAs as a key performance indicator; see table on page 5.

We are pleased to report that 2016 has been a good year for safety. The 214 working days lost through accidents in 2016 maintained the very significant improvements seen in 2015 and 2014 (285 and 261 days respectively) compared to 2013 (973 days). The number of LTAs during the year was 18, which has increased from 9 in 2015.

Customers and Suppliers

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

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

Responsible Business Ethics

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

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

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

Corporate Giving and Engagement with the Community

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

The Group made charitable donations in 2016 amounting to $29,000 (2015: $44,000), consisting of a number of small donations to various community, welfare, health, sport and educational charities local to the businesses that make up the Group both in the U.K. and elsewhere. During 2016, our businesses continued their links with universities and schools to develop young talent.

Principal Risks and Uncertainties

Internal Controls and Risk Management

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

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

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

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

Our Risk Management Framework

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

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

The Main Elements in our Approach to Health and Safety Risk:

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

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

The Main Elements in our Approach to Environmental Risk:

- A designated member of the Executive Management Board to monitor, co-ordinate and report upon the environment and environmental issues relevant to the Group and its activities for specific regions of the Group's international operations;
- Each manufacturing site has a designated manager responsible for environmental matters who has appropriate knowledge and expertise;
- All manufacturing 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 achieving ISO 14001 certification globally at larger manufacturing sites, and the majority of these sites have now attained the certification, as have some smaller sites;
- All U.K. manufacturing sites requiring Integrated Pollution Prevention and Control ("IPPC") permits have attained them;
- An appropriate environmental investigation and report for all new sites acquired by the Group.

Internal Financial Controls

The Key Controls Consist of:

- The preparation of comprehensive monthly financial accounts, forecasts and reviews comparing performance to budget with a summary submitted to and discussed with the Directors at regular Board meetings;
- Hedging policies approved by the Board and operated by a hedging committee chaired by the Group Finance Director. The policy covers the Group's exposure to, and management of, metal costs and foreign exchange rates as appropriate. The Board also receives regular monthly reports on such activities. Policies are reviewed periodically as circumstances dictate;
- A Group Accounting Policies Manual and Group Authority Manual incorporating clearly defined operating guidelines and procedures with authorisation limits set at appropriate levels requiring proper, consistent and legally compliant financial management at all levels;
- Regular performance reviews with divisional management carried out by the Chief Executive Officer and the Group Finance Director at site;
- An on-going annual programme to assess the design, implementation and operational effectiveness of the internal controls structure and procedures for financial reporting based on the criteria set out by the Committee of Sponsoring Organisations of the Treadway Commission in Internal Controls Integrated Framework, to satisfy management's attestation under Section 404 of the Sarbanes-Oxley Act;
- Under the supervision of the internal audit function, periodic internal audits carried out by Group finance staff and internal audit co-sourcing, targeting pre-defined specific areas of financial controls and reporting in any year on a rotational basis;
- Self-certification by divisional management of the adequacy of, and compliance with, financial controls.

Internal Audit - During 2016, the internal audit function among other things, continued to work on the internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act.

As at 31 December, 2016, the two Executive Directors in their capacity as Chief Executive Officer and Group Finance Director, have carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures under the supervision and the participation of the Executive Management Board, which is responsible for the management of the internal controls, and which includes the Chief Executive Officer and the Group Finance Director. In accordance with the requirements of Section 404 of Sarbanes-Oxley, and as included in the Form 20-F filed with the SEC, management conducted an evaluation of the effectiveness of internal control over financial reporting based on the Internal Control – Integrated Framework (the 2013 Framework) issued by the Committee of Sponsoring Organisations of the Treadway Commission. As at 31 December, 2016, management has assessed the effectiveness of internal control over financial reporting and has concluded that such internal control over financial reporting was effective. In addition, there have been no changes in the Group's internal control over financial reporting during 2016 that have materially affected, or are reasonably likely to affect materially, the Group's internal control over financial reporting.

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

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

Area of Risk	Mitigating Activity
Dependency on certain key markets – The Group depends on certain end-markets, including automotive, self-contained breathing apparatus, aerospace and defence, medical and printing and paper. An economic downturn or regulatory changes in any of these end-markets could reduce sales. It is possible that all or most of these end-markets could be in decline at the same time, such as during a recession, which could significantly adversely affect the results of our operations due to decreased sales. The dramatic fall in oil prices has impacted our alternative fuels end-markets, and has also reduced demand from the oil and gas sector for products that use our materials, such as helicopters.	The Group's diverse product portfolio reduces the risk of any one adverse external economic factor impacting across all of these end-markets; however, a range of external factors could impact across the majority or all of the Group's end-markets. To further mitigate this risk, the Group continues to invest in research and development and to innovate, working closely with its customers, to develop next generation products in these end markets.
Effect of external factors due to the global nature of our business - Our global presence exposes us in the countries in which we operate to economic conditions, geopolitical risks, specific regulations and other external factors, which could affect our operations. Following the recent U.K. referendum decision to leave the European Union (E.U.) the British Government will commence negotiating the terms of the U.K.'s future relationship with the E.U. from early 2017, expected to result in a formal exit from 2019. Although those terms are unknown, it is possible that there will be greater restrictions on imports and exports between the U.K. and E.U. countries and increased regulatory complexity. These changes may adversely affect our operations and financial results.	The Group's diverse product portfolio and geographic spread reduces the risk of any one external factor impacting across all end-markets. The Group also closely monitors geopolitical and global economic developments in its markets and will be closely monitoring the outcome of negotiations following the U.K.'s decision to leave the E.U.
Competition - Markets for many of the Group's products are now increasingly global and highly competitive, especially in terms of quality, price and service. The Group could lose market share as a result of these competitive pressures, which could negatively impact profit margins. More generally, the Group may also face potential competition from manufacturers of products similar to the Group's aluminium and magnesium-based products using other materials, such as steel, plastics or composite materials.	The Group continues to invest in new and better products and aims to focus its resources in speciality markets that need high-performance products and a reliable partner.
Protection and development of intellectual property rights and changing industry requirements - As a result of the nature of the competition faced by the Group, its ability to remain profitable depends on its ability to protect intellectual property and to invest in research and development, which requires funding.	The Group seeks to protect its intellectual property through patents and by reducing the disclosure of commercially sensitive information. It also invests long-term in new products and manufacturing processes and maintains this investment through the business cycle.

Reliance on major customers - If the Group fails to maintain its relationships with its major customers, or fails to replace customers, or if there were reduced demand from such customers or for the products produced by such customers, it could reduce the Group's sales and have an adverse effect on the Group's financial position. The Group's top 10 customers accounted for, in aggregate, approximately 27% of Group revenue in 2016.	Long-term relationships with customers are especially important, and the Group's operations work closely with customers to ensure customer service is the best in the industry and aim to support our customers in their development of new products through our own product innovations and technical know-how.
Risks relating to interruption of operations - The Group's production facilities are located worldwide. Any of its facilities could suffer an interruption in production, either at separate times or at the same time, because of various unavoidable occurrences including major equipment failure. Although the Group carries insurance, the cover on certain catastrophic events or natural disasters, including earthquakes and certain other events, is limited.	The Group performs routine maintenance on its production equipment on all its manufacturing sites. These maintenance programmes are carefully planned to keep all plants operating at a high level of efficiency, and to reduce the risk of breakdowns and failure of equipment. Health and Safety is also a major consideration in the operation of the Group manufacturing facilities and is carefully monitored. The Group carries comprehensive business interruption insurance.
Effect of international currency markets - Changes in foreign currency exchange rates or interest rates could cause sales to drop or costs to rise. The Group conducts a large proportion of its commercial transactions, purchases of raw materials and sales of goods in various countries and regions outside of the U.K., including the U.S., continental Europe and Asia. Changes in the relative values of currencies can decrease the profits of the Group's operations through both the translation of profits into USD or on import and export transactions.	The Group regularly enters into forward foreign currency exchange contracts to manage currency risks and a Hedging Committee, overseen by the Group Finance Director, monitors the implementation of the Group's hedging policy.
Exposure to fluctuations in raw material and utility costs - The Group is exposed to fluctuations in costs of the raw materials and utilities that are used to manufacture its products and can incur unexpected cost changes. The primary raw material used in the manufacturing of gas cylinders and superformed panels is aluminium, and though our operations use specialist alloys, their prices are pegged directly or indirectly to the quoted London Metal Exchange prices for primary aluminium. This makes the costs subject to speculative commodity cost changes, as well as fundamental supply and demand cost pressures. We have also experienced significant cost fluctuations in other raw material costs such as primary magnesium, carbon fibre, zircon sand and rare earths. The Group's operations also buy and sell goods in regional markets that may be protected by tariff barriers. Changes in these tariffs could have an adverse impact on 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 2016, 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.

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.
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 effect 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 ISO 14001 qualification at all of its larger manufacturing sites. The bulk of the Group's known environmental issues are legacy problems that arose many years ago. Management have a programme in place to progressively improve and eliminate these historic issues.
Risks relating to the Group's retirement benefit plans - The Group operates defined benefit arrangements in the U.K., the U.S. and France. These are further explained in Note 29 of the Group consolidated financial statements. Their funding requirements are subject to fluctuations in investment markets and changes in the life expectancy of members and, as a result, these plans have significant deficits. Increased regulatory burdens have also proved to be a significant risk, with taxes such as the U.K.'s Pension Protection Fund Levy, which cost $0.4 million in 2016 ($0.4 million in 2015). Regulations in this area can also constrain the level of debt incurred and restrict the Company's ability to pay dividends.	The Group and the Trustees of the plans closely monitor the financial performance of the Schemes, taking actuarial and investment advice as appropriate. These are long-term liabilities, and we have a programme in place to contribute cash to our defined benefit plans over a number of years. This is based on affordability and is varied according to our net earnings. These plans are funded and the bulk of the assets are invested in 'growth' assets.

Exposure to risks related to cybersecurity threats and incidents - In the conduct of its business, the Group collects, uses, transmits and stores data on information technology systems. This data includes confidential information belonging to us, our customers and other business partners, as well as personally identifiable information of individuals. We have experienced, and expect to continue to be subject to, cybersecurity threats and incidents, ranging from employee error or misuse to individual attempts to gain unauthorised access to information systems to sophisticated and targeted measures known as advanced persistent threats, none of which have been material to the Group to date. We also rely in part on the reliability of certain tested third parties' cybersecurity measures, including firewalls, virus solutions and backup solutions. Cybersecurity incidents may result in business disruption, the misappropriation, corruption or loss of confidential information and critical data (ours or that of third parties), reputational damage, regulatory fines, litigation with third parties, diminution in the value of our investment in research and development, data privacy issues and increased cybersecurity protection and remediation costs. Future cybersecurity breaches or incidents or further increases in cybersecurity protection costs may have a material adverse effect on our business, financial condition or results of operations.	The Group devotes significant resources to network security, data encryption and other measures to protect our systems and data from unauthorised access or misuse, including to meet certain information security standards that may be required by our customers, all of which increases cybersecurity protection costs. As these threats, and government and regulatory oversight of associated risks, continue to evolve, we may be required to expend additional resources to enhance or expand upon the security measures we currently maintain.

Approval

The Strategic Report is set out on pages 2 to 22 and incorporates the sections titled Environmental Matters and Corporate Social Responsibility and Principal Risks and Uncertainties.

Signed on behalf of the Board by:

B G Purves
CHIEF EXECUTIVE OFFICER
14 MARCH, 2017

GOVERNANCE

The Board of Directors

Members of the Board of Directors - 1 January, 2016, to 31 December, 2016.

Name	Age	Position
Peter Joseph Kinder Haslehurst	76	Independent Non-Executive Chairman, Chairman of Remuneration and Nomination Committees, Member of the Audit Committee (retired from Luxfer on 24 May, 2016)
Joseph Allison Bonn	73	Independent Non-Executive Chairman, Chairman of Remuneration and Nomination Committees, Member of the Audit Committee
Brian Gordon Purves	62	Executive Director and Chief Executive Officer
Andrew Michael Beaden	49	Executive Director and Group Finance Director
Kevin Sean Flannery	72	Independent Non-Executive Director, Member of Remuneration and Audit Committees
David Farrington Landless	57	Independent Non-Executive Director, Chairman of the Audit Committee, Member of Nomination and Remuneration Committees
Dr Brian Kushner	58	Independent Non-Executive Director, Member of Remuneration, Audit and Nomination Committees
Clive Snowdon	63	Independent Non-Executive Director, Member of Remuneration, Audit and Nomination Committees
Adam Cohn	45	Independent Non-Executive Director, Member of Remuneration Committee

Biographies:

Peter Joseph Kinder Haslehurst

Peter was our Non-Executive Chairman for 10 years having been appointed in March 2006. Prior to taking up the appointment as Non-Executive Chairman he had been a Non-Executive Director of the Company and a member of the Audit Committee and Remuneration Committee since 2003. On his appointment as our Chairman he was also appointed as Chair of both the Audit and Remuneration Committees and subsequently the Nomination Committee when it was established in July 2013. On 28 May, 2015, he stepped down as Chair of the Audit Committee but remained a member of the Audit Committee. Peter retired from Luxfer on 24 May, 2016.

Experience: Peter has been a Managing Director, Chief Executive and / or Chairman in international manufacturing industries for over 45 years, including most recently as Chairman and Chief Executive of the Brunner Mond Group from 2000 to 2008 and Chairman of Imago at Loughborough Ltd from 2003 to 2009. He was appointed President emeritus of VAI Industries (U.K.), following Chairmanship of VA Tech (U.K.) from 1999 to 2002. Prior to that he was Chief Executive of the EIS Group PLC from 1985 to 1999, building a group of 100 companies in 30 countries involved in aircraft and defence equipment and fluid technology products. From 1969 to 1981 he was Managing Director of Wellman Mechanical Engineering Ltd., the metallurgical plant makers. He was appointed as Chairman of the British Metal Working Plant Makers Association in 1974. He holds a number of current appointments, including Chairman of the Audit Committee of the Institute of Materials, Minerals and Mining where he was formerly Treasurer and Senior Vice President.

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

Joseph Allison Bonn

Joseph (Joe) was appointed as a Non-Executive Director on 1 March, 2007, at which time he was also appointed to both the Audit and Remuneration Committees. He has also been a member of the Nomination Committee since its establishment in July 2013 and was appointed as Interim Non-Executive Chairman on 24 May, 2016. As of 6 December, 2016, was appointed Non-Executive Chairman.

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

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

Brian Gordon Purves

Brian was appointed as our Chief Executive Officer at the start of 2002 and has been an Executive Director of the Company and its predecessor since 1996. He was one of the two-man management buy-in team that led the private equity-funded acquisition of British Aluminium (including the core of our current Group) from Alcan in 1996, serving as Finance Director from that date until 2001. Brian informed the Board of Directors during 2016 of his intention to retire during the course of 2017; although he will remain in his current role until his successor is appointed.

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

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

Andrew Michael Beaden

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

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

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

Kevin Sean Flannery

Kevin was appointed as a Non-Executive Director on 1 June, 2007, at which time he was also appointed to both the Audit and Remuneration Committees. He was appointed to the Nomination Committee on its establishment in July 2013, but stepped down on 6 October, 2016.

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

David Farrington Landless

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

Experience: David started his career with Bowater and Carrington Viyella and joined Courtaulds plc in 1984. He was appointed a Finance Director in the U.K. and U.S. divisions of Courtaulds plc from 1989 to 1997 and Finance Director of Courtaulds Coatings (Holdings) Limited from 1997 to 1999. He retired from the position of Group Finance Director of Bodycote plc on 1 January, 2017. He was appointed a Non-Executive Director of Innospec, Inc. on 1 January, 2016, and a Non-Executive Director of Renold plc on 9 January, 2017.

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

Dr Brian Kushner

Brian was appointed as a Non-Executive Director on 24 May, 2016, at which time he was also appointed to the Remuneration and Nomination committees. He was appointed to the Audit Committee on 5 August, 2016.

Experience: Brian, who holds a doctorate in applied and engineering physics from Cornell University, was co-founder of CXO LLC ("CXO"), a management consulting firm headquartered in Austin, Texas. In 2008, CXO was acquired by FTI Consulting, a global business advisory firm. Dr. Kushner is now senior managing director, corporate finance, for FTI and a co-leader in activities related to technology practices and aerospace, defence and government contracting practices.

Brian began his career in 1982 at BDM International, a defence firm, as part of the management team that completed a leveraged buyout of BDM in 1990 by the Carlyle Group. Over the past two decades, he has served as chief executive, chief restructuring officer or director of more than 20 public and private technology, manufacturing, telecom and defence companies.

Brian currently serves as a director and chair of the audit committee of Everyware Global, the parent company of the Oneida and Anchor Hocking brands. He is also a member of the executive committee of the Advisory Council of the College of Natural Sciences at the University of Texas at Austin, chairman of the Physics Advisory Council at the University of Texas at Austin and a member of the Engineering College Council at Cornell University in Ithaca, New York.

Clive Snowdon

Clive was appointed as a Non-Executive Director on 29 July, 2016, at which time he was also appointed to the Remuneration and Nomination committees. He was appointed to the Audit Committee on 5 August, 2016.

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

Adam Cohn

Adam was appointed as a Non-Executive Director on 18 July, 2016, at which time he was also appointed to the Remuneration committee.

Experience: Mr. Cohn is Co-CEO of Stone Canyon Industries LLC (SCI), a company he co-founded in September 2014. SCI has a small investment in Luxfer. Prior to SCI, from March 2000 to September 2014, Mr. Cohn was a partner at Knowledge Universe (KU), where he served as head of mergers and acquisitions and business development for KU and its portfolio companies. Prior to joining KU, he was a senior associate with Whitney & Co., a private equity firm. Before that, Mr. Cohn was an investment banker in the Financial Sponsors Group at Bankers Trust Company and Deutsche Bank. He has a B.S. in business from Skidmore College and an M.B.A. from Columbia University. Mr. Cohn serves on the board of k12, Inc. (NYSE: LRN), where he is also chairman of the compensation committee. In addition, he serves on several other private company boards.

Executive Management Board

Members of the Executive Management Board - 1 January, 2016, to 31 December, 2016.

Name	Age	Position
Brian Gordon Purves	62	Executive Director and Chief Executive Officer
Andrew Michael Beaden	49	Executive Director and Group Finance Director
Edward John Haughey	61	Divisional Managing Director of MEL Chemicals
David Terence Rix	48	Divisional Managing Director of Magnesium Elektron
Andrew William John Butcher	48	President of Luxfer Gas Cylinders
Linda Frances Seddon*	65	Company Secretary and General Counsel

*Linda Frances Seddon retired from Luxfer Holdings PLC on 4 March, 2016 and was replaced as Company Secretary by David Nicholas Fletcher.

Biographies:

Brian Gordon Purves and Andrew Michael Beaden
Please refer to the main Board biographies on page 24.

Edward John Haughey
Divisional Managing Director of MEL Chemicals
Edward (Eddie) became a member of the Executive Management Board on his appointment as Managing Director of Luxfer's zirconium business in 2003. Prior to joining Luxfer Group, he was Managing Director of Croda Colloids Limited for Croda International Plc from 1994 to 2003, and has held a series of senior management positions in the Croda Group, BASF and Rhone Poulenc. He holds a BA (Honours) degree in Chemistry. Eddie is to retire in 2017 with a replacement to be announced in due course.

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

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

Linda Frances Seddon
Company Secretary and General Counsel
Linda was a member of the Executive Management Board from 2001 until her retirement on 4 March 2016. She was Secretary of the Group holding company and legal adviser to the Luxfer Group from 1997 until her retirement. 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. She has a BA (Honours) degree in Business Law.

Other Officers of the Company

Other officers of the Company are also responsible for the day-to-day management of our Company but are not members of the Executive Management Board.

David Fletcher
Company Secretary
David joined the Luxfer Group in 2001, being appointed the Financial Controller of Magnesium Elektron. He then joined the Head Office Accounting Team in 2004, being made Group Financial Controller in 2011, a position he held during the Group's IPO in 2012. He was appointed the Divisional Finance Director of the Zirconium Division in 2013 before being appointed as Company Secretary in March 2016.

David is a Chartered Management Accountant and Chartered Company Secretary.

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

Corporate Governance

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

Overview of Corporate Governance

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

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

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

In 2016, (as in 2015) we were a foreign private issuer (an "FPI") as defined in the SEC's rules and regulations and consequently, in many aspects of corporate governance we rely on a provision in the NYSE's Listed Company Manual ("NYSE's Manual") that permits us to follow home-country practice in lieu of certain NYSE corporate governance requirements. For example, although each member of our Audit Committee must be independent within the meaning of Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), each such member does not need to satisfy the requirements for independence set out in Section 303A.02 of the NYSE's Manual. Our Nomination Committee and Remuneration Committee each consist entirely of Non-Executive Directors; however, each such Non-Executive Director is not required to satisfy the requirements for independence set out in Section 303A.02 of the NYSE's Manual. The Companies Act does not require us to establish, and we have not established, a corporate governance committee, as would otherwise be required for U.S. listed companies pursuant to the NYSE's Manual. As an FPI we are not subject to all of the disclosure requirements applicable to companies organised within the U.S. that relate to corporate governance. For example, we are exempt from certain rules under the Exchange Act that regulate disclosure obligations and procedural requirements related to the solicitation of proxies, consents or authorisations applicable to a security registered under the Exchange Act.

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

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

Board Members

During 2016, the Board comprised an independent Non-Executive Chairman, between four and five independent Non-Executive Directors and two Executive Directors. The maximum number of Directors permitted under the Articles is eight. A number of Directors have an interest in the shares of the Company as set out in the Remuneration Report on pages 38 to 54.

Our Articles contain a provision requiring a third of the Directors to retire by rotation each year. In line with best practice, the Nomination Committee has proposed, and the Board has agreed, that all directors should offer themselves for re-election at the 2017 annual general meeting ("AGM").

Brief biographical details of the Directors who served during 2016 are provided on pages 23 to 26.

Roles

The Board

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

Executive Management Board

The Executive Management Board meets at least eight times a year. It is chaired by the Chief Executive Officer. The Executive Management Board consists of the Group Finance Director and senior management at group and divisional levels. The members of the Executive Management Board during 2016 are listed on page 26. The Executive Management Board acts in an advisory capacity to the Chief Executive Officer and provides a forum where matters of interest or concern to the Group can be reviewed and discussed, strategy debated, policies developed and agreed, best practice discussed and appropriate measures implemented. It also provides an opportunity for senior management to receive updates on progress in other areas of the Group outside their remit.

Division of Responsibilities

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

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

- The Chief Executive Officer is responsible to the Board for the management and performance of the business within the framework of the matters reserved to the Board and for developing strategy and then implementing the strategy he has agreed with the Board;

- The Chairman is responsible for the leadership of the Board and ensuring its effectiveness. He ensures that Board discussions are conducted taking into account all views, promoting openness and debate by facilitating the effective contribution of the Non-Executive Directors and ensuring no individual or group dominates the Board.

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

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

Meetings

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

Attendance at Board and Committee Meetings during 2016

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Peter Haslehurst	3	3	2	—
Joseph Bonn	10	8	2	2
Andrew Beaden	11	Non-member*	Non-member	Non-member
Adam Cohn	5	Non-member	—	Non-member
Kevin Flannery	10	8	2	1
Brian Kushner	6	3	—	1
David Landless	10	8	2	2
Brian Purves	11	Non-member*	Non-member*	Non-member*
Clive Snowdon	5	3	—	1
Total number of meetings	11	8	2	2
No. of meetings held at operational sites in the U.K. or U.S.	1			

**Although not a member of the Committee the director attended the meeting to present to the Committee.*

Information and Support

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

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

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

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

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

Newly appointed directors undergo an induction program.

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

Accountability

The Directors are responsible for preparing the financial statements to satisfy U.K. law. This responsibility is explained further in the Directors' Responsibilities Statement on page 55 and the Independent Auditor's Report on pages 56 to 57.

Audit Committee

The members of our Audit Committee during the year were:	
David Landless	Non-Executive Director and Chairman
Joseph Bonn	Non-Executive Director
Kevin Flannery	Non-Executive Director
Peter Haslehurst	Non-Executive Director (retired from Luxfer on 24 May 2016)
Brian Kushner	Non-Executive Director (appointed on 5 August 2016)
Clive Snowdon	Non-Executive Director (appointed on 5 August 2016)

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

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

Its duties include:

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

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

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

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

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

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

Remuneration Committee

Membership of the Remuneration Committee and details of its work appear in the Remuneration Report on pages 38 to 54. Its terms of reference appear under the Governance section on the Company's website.

Nomination Committee

Members of the Committee consist of Non-Executive Directors and the Chairman of the Board chairs the Committee. The committee met twice during the year.

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

- Identify and review individuals qualified to become Directors and fill vacancies;
- Select and approve Directors to stand for re-election pursuant to the retirement provisions under our Articles;
- Develop a process for annual evaluation of the Board and its Committees;
- Develop and recommend to the Board a succession plan, and review management's succession plan.

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

Whistleblowing Arrangements

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

Anti-Corruption Policy

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

Relations with Shareholders

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

Directors' Report

The Directors of Luxfer Holdings PLC (the "Company") present their annual report together with the audited financial statements of the Group and the Company for the year ended 31 December, 2016. This Directors' Report should be read together with, and incorporates, the Corporate Governance section on pages 28 to 33.

Results

The profit for the year, after taxation, amounted to $21.9 million (2015: $16.1 million); please see the Strategic report on pages 2 to 22 for more detail.

Dividends per Share

Quarterly interim dividends of $0.125 each £0.50 ordinary share ($0.125 each ADS), each quarter totalling $13.3 million, were paid in 2016 (2015: $10.8 million).

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

Directors

The names of the people who were Directors during the year and their brief biographical details are set out in the Governance section on pages 23 to 27.

Capital Structure

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

As at 31 December, 2016, the Company's issued share capital comprised of 27,136,799 ordinary shares of £0.50 each and 769,413,708,000 deferred shares of £0.0001 each as set out in Note 18 to the financial statements. As at 31 December, 2016, 25,180,726 of the £0.50 ordinary shares were represented by 25,180,726 ADS, one £0.50 ordinary share being represented by one ADS.

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

As at 31 December, 2016, the Group had purchased 780,989 shares, with $6.3 million of the purchases made in 2016 and $1.9 million in 2015; these are presented as treasury shares in the balance sheet.

Substantial shareholdings

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

Shareholder	Number of shares	Percent
Wellington Management Group LLP	3,494,798	13.2%
Canton Group	2,147,910	8.1%

T. Rowe Price Associates, Inc	1,927,590	7.3%
Paradice Investment Management LLC	1,732,363	6.6%
Stonehill Group	1,542,783	5.8%
Nantahala Capital Management LLC	1,537,293	5.8%
GMT Capital Group	1,406,920	5.3%
Fidelity Management & Research Co.	1,162,209	4.4%
DePrince, Race & Zollo, Inc	954,131	3.6%
Greywolf Capital Management LP	860,000	3.3%

Directors' Interests and Related Party Transactions

No Director had a material interest in, nor was any Director party to, any contract or arrangement to which the Company or any subsidiary is or was party to either during the year or at the end of the year, with the following exceptions: in the case of the Executive Directors, their individual service contract; in the case of the Non-Executive Directors, their engagement letters.

The interests of the Directors who held office at 31 December, 2016, and those of their families, in the share capital of the Company, including share options are set out in the Remuneration Report on pages 38 and 54. All of the interests were beneficial. There has been no change in the interests of the directors between the balance sheet date and the date of approval of the financial statements.

Going Concern

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

Research and Development

During the year, the Group invested $7.8 million (2015: $8.3 million) in research and development on new and improved products and processes. Significant activities during the year were on the development and launch of new magnesium alloy variants such as Elektron®43, designed for use in aircraft seating and further development of our AOS® medical oxygen delivery device and SmartFlow® valve contained therein which obtained full CE certification in November 2016. Once a project is reasonably certain to deliver a commercial product, certain of the development costs are capitalised. The Group continues to maintain links in fields of research with both leading universities in various countries and outside agencies to support and supplement its own in-house expertise. The Group also continues to gain significant tax benefit from the U.K. Patent Box regime.

Future Developments

An indication of the future developments of the business of the Group can be found in the Strategic Report on page 10.

Disabled Employees

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

Employee Involvement

Many employees are directly involved in the performance of the Group and divisions through the use of various incentive schemes. These include bonus schemes and various share-related schemes, details of which can be found in the Corporate Social Responsibility ("CSR") section of the Strategic Report on page 14.

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

The Group continues to offer training and development opportunities to employees at all levels and to all abilities, providing benefit to both the Group and the individual employee. Further details can be found in the CSR section of the Strategic Report on page 14. Periodically we undertake a succession planning review to ensure that we develop suitable candidates for critical leadership roles within the Group.

For more senior management we hold an annual management conference at the beginning of each year where the Luxfer Group strategy for the year at Group and divisional level is presented and discussed and workshops undertaken on subjects that have been determined will promote the Group strategy during the year. Meetings of employees carrying out the same function within the Group companies are also held to convey Group policy, to exchange best practice and to undertake training.
We have an equal opportunities policy, which is intended to promote good employment practices throughout the Group in the treatment of both employees and job applicants.

Political Donations

The Company and its subsidiaries made no political donations in either 2016 or 2015.

Directors' Liabilities

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

Greenhouse Gas Emissions

A statement regarding the greenhouse gas emissions resulting from the Company's activities can be found on page 13 of the Strategic Report.

Treasury and the Use of Financial Derivatives

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

Directors' Statement as to Disclosure of Information to the Auditors

The Directors who were members of the Board at the time of approving this Directors' Report are listed on page 23 to 27. Having made enquiries of fellow Directors and of the Company's auditors, each of those Directors confirms that:

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

Independent Auditors

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

By order of the Board:

D N Fletcher
SECRETARY

14 March, 2017

DIRECTORS' REMUNERATION REPORT

Chairman's Letter

Dear Shareholder,

Following my appointment as Chairman of the Remuneration Committee in 2016, I present my first report to the shareholders pursuant to U.K. regulations governing the way remuneration for directors of quoted U.K. companies is reported and voted upon.

As our Remuneration Policy ("the Policy") was last approved by our shareholders at the 2014 Annual General Meeting ("AGM") and in accordance with U.K. regulations governing the way remuneration for Directors is reported and voted on, we are required to put the policy before you for a binding vote at the 2017 AGM. The Remuneration Committee ("the Committee") is satisfied with the way the Directors are remunerated but following a review, the Policy has been amended to bring it in line with current practices and policies and to reflect the changes made to the pension and various equity award schemes since 2014. The Policy to be presented to Shareholders for approval in 2017 will not differ in substance or content from the Policy previously approved in 2014.

The Company's Remuneration Policy can be found in a standalone document in the Governance section of the Company's web site www.luxfer.com/governance/.

The Annual Remuneration Report starting on page 40 sets out how the Directors were remunerated in 2016 in accordance with the Policy. As the Committee generally reviews Directors' pay and incentives at the beginning of the financial year, the second half of the report on page 48 also contains details of the decisions already made on the remuneration of our Directors for 2017. The Annual Remuneration Report will be proposed for an advisory vote at the Company's 2017 AGM as required by the relevant U.K. regulations.

The Context of Decisions Made During the Year

Despite a strong start, 2016 proved to be a difficult year with reported trading profit being lower than 2015. The Elektron Division suffered in the second half of 2016 from lower demand for our U.S magnesium products, reflecting the tightness of U.S. defence budgets and destocking by certain distributors of photo-engraving products as a result of increasing the number of customers with whom we deal directly. Elektron was also impacted by lower sales of automotive catalysis products, currently in transition to a new generation of technology. Mitigating the impact of these was increased demand for high performance aerospace magnesium alloys in Europe and industrial catalysis chemical products. 2016 also saw the launch of our bio-resolvable magnesium alloy, SoluMag® into the medical market. Gas Cylinders trading profit increased by 32.6% in 2016 over the previous year largely due to a combination of our actions to reduce the AF cost base, and increased AF sales.

Major Decisions on Remuneration During the Year

Decisions made affecting 2016 remuneration

The Committee's overall approach to remuneration packages remained the same and followed the Policy approved by shareholders in 2014. In recognising the Company's sole listing on the NYSE and, as a consequence, its significant U.S. shareholder base, the Committee and the Board continue to believe that in structuring remuneration packages for the Directors they should consider remuneration practices not only in the U.K. but also in the U.S. This philosophy is not used in relation to executive salaries, which reflect salaries in the country in which the Director resides, but it does influence the structure of the Group's share incentive schemes.

In accordance with the Policy, the Committee undertook a review of the Executive Directors' salaries at the beginning of 2016. In line with the policy of adjusting the packages of Executive Directors to at least the median of external comparators and recognising that no increase had been applied in 2015, it was agreed that the Executive Directors' base salaries should be increased in 2016 by 2%.

We closed the Luxfer Group Pension Plan to future accruals from 6 April, 2016, removing that pension benefit from all remaining members, including the Directors. Having reviewed the various alternatives and considering the increasingly complicated and restrictive regulations being imposed on higher earners in the U.K., it was decided, in line with the practice of many other U.K. companies, to offer the senior executives salary supplements in lieu of direct contributions into a pension scheme. The salary supplement is no higher cost to the company than continuing with the previous arrangements would have been. The current remuneration policy will be amended to reflect this change prior to putting before shareholders at the 2017 AGM.

The main targets of the annual bonus for 2016 related to management trading profit and net cash flow, weighted towards the management trading profit metric. The bonus plan also contained a number of non-financial objectives relating to organic revenue growth, generating positive PR and achievement of strategic project milestones. Certain of these non-financial objectives were achieved in 2016 which generated a bonus payable of 25% and 20% of base salary for the CEO and FD respectively. However, as both of the main financial targets for 2016 were not achieved, the Executive Directors thought it appropriate to waive their right to any bonus in respect of the 2016 non-financial targets. Further details of the bonus arrangements and the bonus paid can be found in *Single Figure, Executive Directors' Remuneration of the Remuneration Report* on page 41 and Note 4 to that table.

The Committee believe they set challenging targets for the performance-based awards to motivate the executives and align the interests of the executive with those of shareholders. Stretch targets required exceptional performance to be achieved. Sufficient goals were met at the end of 2015 to justify award of ADSs to both Executive Directors in 2016. The targets set for 2016 were not achieved and therefore no awards were made in respect of these. Further details are set out in the section headed *Remuneration Report, Awards Granted During the Year* and the section headed *Implementation of the Remuneration Policy for the Year Ending 31 December 2017 under Long Term Incentives and its associated Notes.*

Decisions affecting 2017

The Committee reviewed the Executive Directors' salaries at its January 2017 meeting in accordance with the Policy. It was recognised that the achievement of the 2017 budget is paramount and while we believe that the reasons behind the downturn in 2016 were in the main temporary, at the present time we are focused on efficiency improvements and cost reductions to improve the robustness of our forecasts. Accordingly, the Board is taking a very cautious approach on base remuneration, and has frozen executive director salaries and benefits and non-executive director fees for 2017. On the other hand, to support and encourage the difficult actions now being taken, it was felt appropriate to offer an enhanced equity potential award for 2017, entirely performance-based - on generating improved shareholder returns.

The Committee has also determined the Executive Directors' variable remuneration arrangements for 2017. No change has been made to the basic structure of how bonuses are earned or share awards made. The focus remains on improving trading profit and net cash flow. Unlike previous years there are no non-financial bonus targets for 2017. A summary of the Executive Directors' salary and incentive arrangements for the financial year 2017 can be found under the section headed *Implementation of the Remuneration Policy for the Year Ending 31 December, 2017* on pages 48 to 50 of the Remuneration Report.

The Committee looks forward to gaining your support for the updated Remuneration Policy and the Annual Remuneration Report at the 2017 AGM.

J A Bonn
CHAIRMAN OF THE REMUNERATION COMMITTEE
14 March, 2017

Remuneration Report

2016 Remuneration Report
(subject to advisory vote by the shareholders at the 2017 AGM)

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

The Remuneration Committee, its Activities and Responsibilities

Peter Haslehurst retired from the Luxfer Board at the AGM on 24 May, 2016. The members of the Committee during the year are set out below.

Members of Committee during 2016		**Meetings attended**
Peter Haslehurst	Non-Executive Director and Chairman (Chair) until 24 May, 2016	2
Joseph Bonn	Non-Executive Director, Interim Chairman (Chair) from 24 May, 2016 and Chairman (Chair) from 6 December, 2016	2
Kevin Flannery	Non-Executive Director	2
David Landless	Non-Executive Director	2
Total number of meetings in 2016		**2**

The Company Secretary acts as secretary to the Committee. Brian Purves normally attends all the meetings, at least in part.

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

During 2016, the matters dealt with by the Committee were the following:

January 2016

- Consideration as to whether, and to what extent, the Executive Directors' bonus targets for 2015 had been met;
- Determination of the Executive Directors' annual bonus targets for 2016;
- Annual review of the Executive Directors' and Company Secretary salaries;
- Review of UK Executive Pension Provisions;
- Setting of goals to be met by the Executive Directors and Senior Managers which if met would lead to time-based share awards in 2017;
- Determination to settle RSU granted under the LTiP by combination of cash and shares;
- Delegation of authority to Chief Executive Officer to make awards under the LTiP over a defined number of shares to junior and middle management in his sole discretion;
- Consideration of accelerating vesting of LTiP awards and extension of exercise periods for IPO and LTiP awards held by impending retirees.

March 2016...............................
- Review of 2015 Remuneration Report for subsequent approval by the Board;
- Approval of amendments to the schedule of the U.K. Umbrella Incentive Plan;
- Review of Awards under the LTiP made to junior and middle management.

Advisors to the Committee

The Committee has access to independent advice when it considers it requires such advice. PricewaterhouseCoopers LLP ("PwC") HR Services provided advice on remuneration reporting and long term incentive design during 2016 and early 2017. PwC were appointed as the Company's auditor in the middle of 2015 after a competitive tender. It was determined that PwC HR Services could continue to provide advisory and benchmarking services, subject to a case-by-case independence review and the Company's non-audit service approval process. The cost of advice by PwC HR Services provided during 2016 was $24,425 (2015: $33,774). Although the Committee has not made a specific determination to the effect, they are satisfied that PwC HR Services provides independent and professional advice. PwC is a member of the Remuneration Consultants Group and is signed up to the Group's Code of Conduct.

REMUNERATION RECEIVED BY THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER, 2016
(Information in this part of the Remuneration Report is audited unless stated otherwise)

Single Figure

The tables below set out an analysis of each Director's total remuneration for 2016. Total remuneration reflects both the performance of the Company and the contribution made by each Director to the continued success of the Company.

Executive Directors' Remuneration

U.S.$ (1)	Year	Salary (2)	Taxable Benefits (3)	Annual Bonus (4)	Long-Term Incentive Awards (5)	Other Share Awards (6)	Pensions Contributions	Total
Brian Purves..........	**2016**	**534,802**	**27,635**	**0**	**135,134**	**1,236**	**137,510**	**836,317**
	2015	594,672	30,469	0	0	232,779	163,437	1,021,357
Andrew Beaden.....	**2016**	**281,114**	**22,492**	**0**	**56,456**	**1,159**	**70,674**	**431,895**
	2015	312,584	24,414	0	0	116,869	66,109	519,976

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

(1) **Exchange rates**—Salary, Taxable Benefits, Awards and Pension Contributions are determined and paid in GBP sterling and translated into U.S. dollars at the average exchange rate for the year $1.3444:£ as used for the Consolidated Financial Statements. For consistency, the 2015 amounts remain as reported last year translated at the average exchange rate used for that year of $1.5248:£.

(2) **Salaries**—As Brian Purves and Andrew Beaden are paid in GBP sterling and their salaries are translated as set out in Note 1, the salary amounts will differ from those shown in the 2015 Annual Remuneration Implementation Report for the coming year 2016 which were based on the 2015 year-end exchange rate. The actual GBP sterling amounts in 2016 were Brian Purves £397,800 (2015: £390,000) and Andrew Beaden £209,100 (2015: £205,000) reflecting the change in their base salary 2015 to 2016 as reported in the Chairman's letter.

(3) **Taxable Benefits**—For Brian Purves, this comprised: car allowance $24,392, medical insurance $2,782, and dental insurance $461, and for Andrew Beaden comprised car allowance $18,553, medical insurance $3,478, and dental insurance $461. Taxable benefits are valued at their GBP sterling taxable value. The actual GBP sterling amounts in 2016 were Brian Purves £20,556 (2015: £19,982) and Andrew Beaden £16,730 (2015: £16,011).

(4) **Annual Bonus**—For the 2016 financial year, the annual bonus plan was based on the achievement of two financial performance goals, profit performance and cash performance (two of the key strategic performance indicators used by the Company to assess its development against its financial objectives during the year), measured against the annual budget. The strategic goal related to organic revenue growth and the achievement of strategic project milestones. The bonus was weighted towards the achievement of the management profit target, which required a material improvement over the prior year

outcome. The cash target set was aggressive. While several of the strategic milestones were achieved, the financial targets were missed and the Executive Directors agreed to waive any bonus. For the 2015 financial year, the annual cash bonus was waived in favour of an award of restricted shares, with these being included under 'Other Share Awards'.

Summary of the annual bonus potential as a percentage of base salary of each of the Executive Directors for 2016:

	Maximum Annual bonus (number of points available and % of salary)	Management Trading Profit (sliding scale between threshold, target and stretch) (2)	Net Cash Flow (sliding scale target and stretch)	Non-financial objectives	Bonus outcome 2016(1)
Number of points available	1,800	200 – 800	100 - 400	600	300
Brian Purves	150%	16.7% - 66.7%	8.3% - 33.3%	50.0%	—(1)
Andrew Beaden	120%	13.3% - 53.3%	6.7% - 26.7%	40.0%	—(1)

(1) A number of the non-financial objectives were achieved during 2016, resulting in a bonus of 25% and 20% being payable to the CEO and FD respectively. Given that no bonus was generated from main financial targets, both the CEO and the FD thought it appropriate to waive any bonus payable in respect to achievement of non-financial targets under the 2016 scheme.

(2) Management trading profit is defined as operating profit or loss before profit on sale of redundant site, changes to defined benefit pension plans, restructuring and other expense, amortisation on acquired intangibles and share based compensation charges.

The performance of the Company during the year included trading profit of $35.3 million (2015: $42.3 million) and net cash flows from operations of $29.2 million (2015: $52.8 million).

The Board has considered whether to include in this report the targets which applied to the bonus arrangements for the Executive Directors in 2016 but has determined that these amounts are commercially sensitive.

(5) **The Long Term Incentive Awards**—*the 2016 Single Figure:* In 2015, the Committee set profit, cash flow and EPS targets with all three metrics being measured at threshold, target and stretch. Greater weighting was assigned to the cash flow and EPS targets. On attainment of the cash flow target for 2015 being met at the threshold level, an award under the LTiP was made in 2016. For additional information refer to the section of this report headed *Outstanding Share Awards During 2016* on page 46. Details of the grants made can be found in the *Implementation of the Remuneration Policy for the Year Ending 31 December, 2017, Long Term Incentives* on page 49 of this report. No performance awards vested in 2016 relating to 2016 awards, so no value is ascribed to them in the Single Figure table.

(6) **Other Share Awards**— Apart from the shares awarded in lieu of 2015 cash bonus (see note 4 above), this relates to the value ascribed to the Matching Shares awarded to Brian Purves and Andrew Beaden under the Company's U.K. All Employee Share Investment Plan ("SIP"), as further detailed below: -

	Monthly contribution from salary during 2016 (£)	No. of Partnership Shares purchased June 2016 @ average price of $9.648 each ADS	No. of Matching Shares awarded June 2016	No. of Partnership Share purchased December 2016 @ average price of $11.020 each ADS	No. of Matching Shares awarded December 2015	Dividends shares acquired from dividend reinvestment during 2016	Total shares accumulated in SIP during 2016
Brian Purves	150	141	70	102	51	34	**398**
Andrew Beaden	140	125	62	102	51	30	**370**

Non-Executive Directors' Remuneration

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

U.S.$ (1)	YEAR	BASE FEE (1)	Other Fees (Fees in the form of share awards) (2)	Total
Peter Haslehurst	**2016**	**62,690**	**2,976**	**65,666**
	2015	157,054	75,202	232,256
Joseph Bonn	**2016**	**80,702**	**38,704**	**119,406**
	2015	77,500	36,945	114,445
Kevin Flannery	**2016**	**79,050**	**38,704**	**117,754**
	2015	77,500	36,945	114,445
David Landless	**2016**	**79,050**	**38,704**	**117,754**
	2015	77,500	37,451	114,951
Brian Kushner	**2016**	**46,116**	**37,246**	**83,362**
	2015	—	—	—
Clive Snowdon	**2016**	**32,940**	**—**	**32,940**
	2015	—	—	—
Adam Cohn	**2016**	**32,940**	—	**32,940**
	2015	—	—	—

Table compiled in accordance with the U.K. 'The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendments) Regulations 2013.

(1) Peter Haslehurst stepped down as Chairman on 24 May, 2016. His base fee was determined and paid in GBP sterling and translated at the average exchange rate of $1.4321:£ being the rate applicable for the first five months of 2016 (full year 2015:$1.5248:£). The actual GBP sterling figure paid for the five months to May 2016 was £43,775 (full year 2015: £103,000).

The base fees of Joseph Bonn, Kevin Flannery, Adam Cohn and Brian Kushner are all determined in U.S. dollars.

The base fee of David Landless, and Clive Snowdon, although determined in U.S. dollars, is paid in GBP sterling translated at the exchange rate reported in the Financial Times on the 5th of each month prior to payment. Actual payments received by David Landless and Clive Snowdon for 2016 aggregated to £58,117 (2015: £50,586) and £25,739 (2015: nil) respectively.

(2) *2016 Single figure:*

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

- An element of the fees received by the Chairman and the other Non-Executive Directors are delivered as time-based restricted stock unit ("RSU"). The award value is a fixed percentage of their Base Fee (50%) as provided in the Director Equity Incentive Plan ("EIP") less the issue price per ADS of £0.50 translated into U.S. dollars at the exchange rate on the grant date of $1.4609:£ (73 cents). Awards were made immediately after the 2016 AGM and vest immediately before the 2017 AGM. The number of RSU was calculated using the closing price of each ADS on the NYSE ($12.63) the day before the award was made. The number of awards received by each Non-Executive Director is set out in *Awards Granted During the Year—Non-Executive Directors Under the Director Equity Incentive Plan (EIP)*.

- The RSU awards carry with them the right to receive accumulated dividend during the period of the award, in shares. The dividends are not credited until the award vests. The Other Fees amount includes the value of the dividends vested and paid on the 2015 RSU fee awards that vested immediately before the 2016 AGM. The value of the awards themselves was included in the Single Figure for 2015 as they were time-based awards (see below). The dividend shares were valued at the Closing Price of each ADS on the NYSE on the date of vesting, being $12.77, less the issue price of £0.50 translated at the date of vesting at an exchange rate of $1.4463:£ (72 cents). The number of dividend shares and their value were:

Non-Executive Director	Dividend shares allocated	Value of dividend less nominal cost of share $
Peter Haslehurst	247	2,976
Joseph Bonn	121	1,458
Kevin Flannery	121	1,458
David Landless	121	1,458

LUXFER SHARE INCENTIVE PROGRAMS

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

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

LTiP: The LTiP was adopted for the I.P.O. in 2012. It is used to grant awards not only to the Executive Directors but also senior and junior managers in the Luxfer Group. A variety of different awards can be granted under the LTiP. To date, it has been used to grant time-based nominal cost options to U.K. employees including the Executive Directors, performance-based nominal cost options and market value options to the Executive Directors and other senior U.K. employees and time-based and performance restricted stock units to U.S. managers and managers from other countries in which the Luxfer Group operates. The maximum value of awards under the rules of the LTiP that can be granted to the Chief Executive Officer is 150% of salary, and 120% of salary to the Group Finance Director. These maximum values are reflected in the Policy.

ESOP 2007: In 2007, prior to the 2012 I.P.O. and as part of the re-organisation the Company underwent in that year, it implemented The Luxfer Holdings Executive Share Options Plan ("ESOP 2007"). All the options made available under the 2007 Plan have been exercised, the remaining option holder, Andrew Beaden, exercising all of his options during 2016. The Trustees have agreed to make available for use under the various LTiP grants the remaining shares held in the employee benefit trust ("EBT"). Further details on the EBT and the 2007 Plan can be found in *Note 30 to the Consolidated Financial Statements*.

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

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

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

AWARDS GRANTED DURING THE YEAR

Executive Directors' Awards Under the LTiP

During 2015 the Remuneration Committee set a score card of goals to assess performance consisting of management trading profit, net cash flow and fully diluted EPS which if attained at the end of 2015 would lead to the granting of nominal cost options to both Brian Purves and Andrew Beaden in 2016. The Committee decided it was inappropriate for 2015 to include a non-financial goal particularly as there was one included for the 2015 annual bonus. All three metrics were measurable at interim, goal and stretch, the achievement of which would allow between 50% and 150% of the potential awards to be earned.

The 2015 performance resulted in the threshold targets for management trading profit and fully diluted EPS not being attained. There was a strong conversion of profit into cash during 2015 resulting in the attainment of the threshold target for net cash flow being achieved. The weighting applicable to this metric resulted in 20% of the available awards being earned.

The value of the grants appears in the Single Figure table for 2016. The number, and details of the terms, of the grants are set out in the section headed *Implementation of the Remuneration Policy for the Year Ending 31 December, 2016 under Long Term Incentives and its Notes*.

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

Non-Executive Directors under the Director EIP

Chairman or Non-Executive Director	Date of Grant	Basis of Aggregate Awards Granted	Share Price at Date of Grant $	Type of Award	No. of Shares Granted	Face Value of Award $	[(1)]Issue Price per ADS & in Aggregate $	Vesting Date	% of Face Value that would vest
Joseph Bonn	25 May, 2016	50% of annual fee for 2016	12.63	Restricted Stock Unit	3,130	39.532	0.73 each ADS Aggregate 2,286	Day before 2017 AGM	On vesting date 100%
Kevin Flannery	25 May, 2016	50% of annual fee for 2016	12.63	Restricted Stock Unit	3,130	39,532	0.73 each ADS Aggregate 2,286	Day before 2017 AGM	On vesting date 100%
David Landless	25 May, 2016	50% of annual fee for 2016	12.63	Restricted Stock	3,130	39,532	0.73 each ADS Aggregate 2,286	Day before 2017 AGM	Each vesting date 100%
Brian Kushner............	25 May, 2016	50% of annual fee for 2016	12.63	Restricted Stock	3,130	39,532	0.73 each ADS Aggregate 2,286	Day before 2017 AGM	Each vesting date 100%

(1) The issue price of £0.50 each ADS has been translated at the U.S. dollar Financial Times exchange rate for 25 May, 2016, the date of grant, of $1.4609:£

OUTSTANDING SHARE AWARDS DURING 2016

Executive and Non-Executive Directors

Awards earned on 2015 performance were granted during 2016 to the Executive Directors. No Awards were granted in 2017 in respect of 2016 performance. All awards are over ADS not the underlying ordinary shares.

	Awards				Options				
Award	Available 1 Jan. 2016	Granted During Year	(Lapsed) / (Exercised) During Year	Available 31 Dec. 2016	Vested Awards 1 Jan. 2016	Vested Awards During Year	(Lapsed) / (Exercised) During Year	Vested Awards 31 Dec. 2016	Available Unvested Awards(4)
Brian Purves									
IPO Options (2)	179,200	—	—	179,200	179,200	—	—	179,200	—
LTiP 2013 (3)	7,900	—	(7,900)	—	5,266	2,634	(7,900)	—	—
M.V. (4)	22,100	—	—	22,100	14,733	7,367	—	22,100	—
LTiP 2013 (5)	26,250	—	(26,250)	—	5,250	—	(5,250)	—	—
LTiP 2014 (6)	14,000	—	(14,000)	—	—	—	—	—	—
LTiP 2016 (7)	—	13,500	—	13,500	—	—	—	—	13,500
Totals	**249,450**	**13,500**	**(48,150)**	**214,800**	**204,449**	**10,001**	**(13,150)**	**201,300**	**13,500**
Andrew Beaden									
ESOP (1)	59,020	—	(59,020)	—	59,020	—	(59,020)	—	—
IPO Options (2)	69,000	—	—	69,000	69,000	—	—	69,000	—
LTiP 2013 (3)	3,200	—	(3,200)	—	2,133	1,067	(3,200)	—	—
M.V. (4)	9,100	—	—	9,100	6,066	3,034	—	9,100	—
LTiP 2013 (5)	10,833	—	(8,667)	2,166	2,166	—	—	2,166	—
LTiP 2014 (6)	5,900	—	(5,900)	—	0	—	—	—	—
LTiP 2016 (7)	—	5,640	—	5,640	0	—	—	—	5,640
Totals	**157,053**	**5,640**	**(76,787)**	**85,906**	**138,385**	**4,101**	**(62,220)**	**80,266**	**5,640**
Joseph Bonn									
IPO Options (2)	20,000	—	—	20,000	20,000	—	—	20,000	—
EIP 2015 (8)	3,168	—	(3,168)	—	—	3,168	(3,168)	—	—
EIP 2016 (9)	—	3,130	—	3,130	—	—	—	—	3,130
Totals	**23,168**	**3,130**	**(3,168)**	**23,130**	**20,000**	**3,168**	**(3,168)**	**20,000**	**3,130**
Kevin Flannery									
IPO Options (2)	20,000	—	—	20,000	20,000	—	—	20,000	—
EIP 2015 (8)	3,168	—	(3,168)	—	—	3,168	(3,168)	—	—
EIP 2016 (9)	—	3,130	—	3,130	—	—	—	—	3,130
Totals	**23,168**	**3,130**	**(3,168)**	**23,130**	**20,000**	**3,168**	**(3,168)**	**20,000**	**3,130**
David Landless									
EIP 2015 (8)	3,168	—	(3,168)	—	—	3,168	(3,168)	—	—
EIP 2016 (9)	—	3,130	—	3,130	—	—	—	—	3,130
Totals	**3,168**	**3,130**	**(3,168)**	**3,130**	**—**	**3,168**	**(3,168)**	**—**	**3,130**
Brian Kushner									
EIP 2016 (9)	—	3,130	—	3,130	—	—	—	—	3,130
Totals	**—**	**3,130**	**—**	**3,130**	**—**	**—**	**—**	**—**	**3,130**

Key to table:

Award	Award Scheme, Type & Grant	Grant Date	Exercise Price / Nominal Cost Each Award	Remaining Vesting /Settlement Dates	Exercise Period
(1)	ESOP 2007	3 Aug, '11	£2.00(i)	All Vested & Settled	No longer applicable
(2)	I.P.O. Options	2 Oct, '12	$10.00	All vested	To October 2019
(3)	LTiP 2013 Options - Time Based (ii)	31 Jan, '13	£0.50(i)	All Vested	To 30 Jan, 2018
(4)	Market Value	31 Jan, '13	$12.91	All Vested	To 30 Jan, 2018
(5)	LTiP 2013 - Performance based - EPS and TSR targets	31 Jan, '13	£0.50(i)	All Lapsed	No longer applicable
(6)	LTiP 2014 Options Performance Based - EPS Targets	20 Mar, '14	£0.50(i)	All Lapsed	No longer applicable
(7)	LTiP 2016 Options - Time Based (iv)	21 Mar, '16	£0.50(i)	21 March, 2017,2018,2019	To 21 March, 2021
(8)	EIP 2015 - Restricted Stock Units(iii)	29 May, '15	£0.50(i)	Day before 2016 AGM	—
(9)	EIP 2016 - RSU (iii)	24 May, '16	£0.50(i)	Day before 2017 AGM	—

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

(ii) LTiP 2013: Time-based awards accumulated dividend shares until vesting only, which shares are added to the award when the option is exercised.

(iii) EIP 2015 and EIP 2016 annual awards are settled immediately on vesting, together with dividends which have been accumulated during the vesting period. The 2015 awards were settled in 2016 net of payroll taxes.

(iv) LTiP 2016: Awards made on attainment of 2015 performance goals and include a "claw back" provision. Time-based option awards accumulate dividend shares until vesting only, which shares are added to the award when the option is exercised.

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 registered defined contribution arrangements and an allocation to an unfunded unapproved retirement benefit plan ("UURBS") accrued by the Company.

Benefits provided by the Luxfer Group Pension Plan ("the Plan") ceased to accrue on 5 April, 2016, following the agreement, reached during 2015, to close the Plan to future accrual from this date. The main features of the defined benefit arrangements prior to closure were:

- 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 plan-specific annual earnings cap of $107,700 p.a. (£76,000) to 6 April, 2016;
- A spouse's pension on death and a lump sum payment on death in service.

Following the closure to future accrual of the defined benefit Luxfer Group Pension Plan, the Company also decided members would cease to accrue further benefits in the unfunded unapproved retirement benefit plan ("UURBS"). In lieu of contributions into these schemes, the Company now offers a salary supplement. Reflecting the cost of previous defined benefit arrangements, now withdrawn, both Executive Directors have been paid the equivalent to 25% of base salary from the date of closure to future accrual of the Luxfer Group Pension Plan.

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

Directors' Remuneration and Benefits for the Year Ended 31 December, 2016 and 2015

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

	2015				
Executive Directors	**Defined Benefit (1)**	**Funded Defined Contribution**	**Unfunded Defined Contribution**	**Cash Supplement**	**Total**
Brian Purves	—	—	$163,437	—	$163,437
Andrew Beaden	$16,078	$45,972	$4,059	—	$66,109

Exchange rate used above: $1.3444:£ over 2016
Exchange rate used above: $1.5248:£ over 2015

(1) The values of the increase in the defined benefit pension in excess of inflation has been calculated on the basis set by U.K. legislation, less contributions paid by the Directors themselves.

Pension Benefits for the Years Ended 31 December, 2016 and 2015

	Accrued Pension as at 31 December, 2016	Accrued Pension as at 31 December, 2015
Andrew Beaden	**$28,752 p.a.**	$33,897 p.a.

Exchange rates used in the table above: $1.2336:£ as at 31 December, 2016, $1.4738:£ as at 31 December, 2015.

(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 date of closure of the Plan (5 April, 2016). It includes the longevity adjustment factor that applies to benefits earned from 6 October, 2007.

Implementation of the Remuneration Policy for the Year Ending 31 December 2017 (*Information not subject to audit unless stated otherwise)*

Set out below is a summary of how the Directors' Remuneration Policy will be applied during the year ending 31 December, 2017.

Base Salary

	2017 $	2016 $	% increase(2)
Brian Purves(1)	**534,802**	**534,802**	**0%**
Andrew Beaden(1)	**281,114**	**281,114**	**0%**

(1) The 2017 salary of Brian Purves and Andrew Beaden has been translated at the 2016 average U.S. dollar exchange rate of $1.344:£, the same exchange rate as the 2016 salary to aid comparison. Further details on the 2016 salaries can be found in the Notes 1 & 2 to *Single Figure Executive Directors' Remuneration.*

(2) Neither of the Executive Directors will receive any pay increase during 2017 which is consistent with wage control measures currently in place in many areas of the Group. Base Salaries rose by 2% in 2016 over 2015.

Pension Arrangements

As explained in the Chairman's letter, the Group's U.K. contributory defined benefit pension plan closed to future accrual on 5 April, 2016. Andrew Beaden continued to participate in the Group's defined benefit pension plan up to the salary cap applied by the rules of the plan and the Group U.K. defined contribution pension plan until 5 April, 2016, at which point he became a deferred member of the defined benefit pension plan. Until 5 April, 2016, Brian Purves continued to receive an allocation or payment to an unregistered unapproved savings arrangement based on contributions the Company would have made to the defined benefit and defined contribution pension plans had he continued to be a member of those pension plans.

After 5 April, 2016, the Executive Directors received a cash supplement calculated at a flat rate percentage of base salary.

Annual Bonus

In line with the Policy, the standard annual bonus for Brian Purves, as Chief Executive Officer, will continue to be capped at 100% of base salary and for Andrew Beaden, as Group Finance Director, 80% of base salary. As in previous years the bonus targets are based on a combination of two financial performance targets, management trading profit and net cash flow after tax. It will be calculated on a points system with a maximum of 1,200 points available to be earned. Points are earned on a sliding scale that commences only once threshold has been achieved and rises through the target performance up to a stretch target. On profit, threshold approximates to beating prior-year. Target is the annual profit budget, while stretch is beating the annual profit budget by a considerable margin.

The Committee intends to disclose the actual financial performance targets retrospectively in a subsequent year's Annual Remuneration Report once they are no longer considered commercially sensitive.

	Maximum Annual Bonus (% of salary)	Sliding scale between threshold, target and stretch	
		Management Trading Profit	Net Cash Flow (after tax)
	Points	0 – 800	0 - 400
Brian Purves	100%	0% - 66.7%	0% - 33.3%
Andrew Beaden	80%	0% - 53.3%	0% - 26.7%

Long Term Incentives

In 2016 the Committee set profit, cash flow and EPS targets as described in *Executive Directors' Awards Under the LTiP* on page 45. These targets were missed, and consequently, no grants have been made in 2017.

The Committee has set goals which if attained in 2017 will lead to the granting of nominal cost options to both Brian Purves and Andrew Beaden in 2018. The Committee has concentrated solely on a range of EPS targets for 2017.

The options to be granted in 2018, if the 2017 goals are achieved, will be time-based nominal cost options vesting in equal tranches over three years from the date of grant and will be subject to claw back in the event of a misstatement of the Consolidated Financial Statements on which they were earned leading to an incorrect award. Subject to Committee discretion, all ADSs resulting from the awards must be held for a minimum of three years from the date of grant whether or not vested, effectively four years from the setting of the targets (other than to fund the exercise price and tax liabilities on a vesting or exercise). The maximum value of awards that can be granted is 150% of base salary for the Chief Executive Officer and 120% of base salary for the Group Finance Director as set out in LTiP rules and the approved Policy Report.

Non-Executive Directors

Summary of how the Directors' Remuneration Policy for the Non-Executive Directors will be applied during the year ending 31 December, 2017.

The Board decides on the approach to compensating the Non-Executive Directors. The percentage of awards made as fees is fixed in the EIP.

	2017 $ Base Fee	2016 $ Base Fee	% Increase Base Fee	Value of Share Awards % of Base Fee 2017	Value of Share Awards % of Base Fee 2016
Joseph Bonn [(1)]	**98,812**	80,702	0%	**50%**	50%
Kevin Flannery [(3)]	**79,050**	79,050	0%	**50%**	50%
David Landless	**79,050**	79,050	0%	**50%**	50%
Brian Kushner [(2)]	**79,050**	46,116	0%	**50%**	50%
Clive Snowdon [(2)]	**79,050**	32,940	0%	**50%**	50%
Adam Cohn [(2)]	**79,050**	32,940	0%	**50%**	50%

(1) Base fee increase reflects additional supplement for Chairman Fees from December 2016. Joseph Bonn did not take this supplement during his period as interim Chairman.

(2) Fee for 2016 part year only.

(3) Kevin Flannery will not offer himself for re-election to the Board at the 2017 AGM.

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

No payments to past Directors or payment for loss of office were made during 2016 and 2015.

Directors' Interests in Shares in the Company (audited)

	American Depository Shares (1 ADS=£0.50 ord.) Held at 31 Dec, 2016 No.	American Depository Shares (1ADS=£0.50 ord.) Held at 1 Jan, 2016 No.
Brian Purves [(1) (2) (8)]	670,160	650,662
Andrew Beaden[(1) (3) (8)]	103,406	91,604
Joseph Bonn[(4)]	5,783	3,300
Kevin Flannery[(5)]	14,355	12,533
David Landless[(6)]	5,581	3,295
Brian Kushner	—	—
Adam Cohn	—	—
Clive Snowdon[(7)]	2,000	—

(1) Brian Purves and Andrew Beaden hold a substantial portion of their shares as ordinary shares not yet having translated them to ADS. For ease of comparison the table shows their interests as ADS. Those shares acquired during the year have been acquired as ADS.

(2) The shares identified as held by Brian Purves include his beneficial holding through connected persons and the 1,062 shares held in the SIP (2015: 664). The SIP shareholding includes 387 Matching Shares. Certain of the ADS held in the SIP are subject to forfeiture as explained in Note 6 to the Single Figure table on page 42.

(3) The shares identified as held by Andrew Beaden include shares held by connected persons and the 974 shares held in the SIP (2015: 604). The SIP shareholding includes 359 Matching Shares. Certain of the ADS held in the SIP are held subject to forfeiture as explained in Note 2 above.

(4) The additional 2,483 ADS acquired by Joseph Bonn during the year were as the result of his 2015 "Other Fees" share award of 3,168 ADS vesting prior to the 2016 AGM together with accrued dividend of 121 shares. He also purchased a further 661 ADS on the market. The ADS delivered are net of shares not issued to pay option costs and tax due on the value of the awards. Further details on these awards can be found in the Notes to *Single Figure—Non-Executive Directors' Remuneration* on page 43.

(5) The additional 1,822 ADS acquired by Kevin Flannery during the year were as the result of his 2015 "Other Fees" share awards of 3,168 ADS vesting prior the 2016 AGM, together with accrued dividend of 121 shares. The ADSs delivered are net of shares not issued to pay option costs and tax due on the value of the awards. Further details on these awards can be found in the Notes to *Single Figure—Non-Executive Directors' Remuneration* on page 43.

(6) The additional 2,286 ADS acquired by David Landless during the year were as the result of his 2015 "Other Fees" share awards of 3,168 ADS vesting prior to the 2016 AGM, together with accrued dividend of 121 shares and 642 ADS comprising restricted stock ADS from those awarded to him on appointment, which vested in equal thirds over three years, the final tranche being released in March 2016. The ADSs delivered are net of shares not issued to pay option costs and tax due on the value of the awards. Further details of his awards can be found in Notes to *Single Figure—Non-Executive Directors' Remuneration* on page 43.

(7) The shares identified as held by Clive Snowdon are held by a connected person and were ADS purchased on the market during the year.

(8) In addition to the above interests, Brian Purves and Andrew Beaden also have interests in the deferred shares of £0.0001 of the Company as follows:

Brian Purves	29,602,995,623
Andrew Beaden	4,144,419,390

There was no movement in their interest in these shares during the year. Further details on the deferred shares can be found in *Note 18 to the Consolidated Financial Statements.*

Executive Director Shareholding Requirements

The Executive Directors are required to hold the number of shares (ordinary shares or the equivalent ADS) equal in value to 100% of base salary. This requirement was maintained by both Brian Purves and Andrew Beaden during the year. Both Executive Directors are required to obtain the Chairman's permission before they or their connected persons can deal in the Company's shares, providing an effective way of ensuring their shareholding requirements are maintained.

Total Directors' Shareholdings and Interests at 31 December, 2016

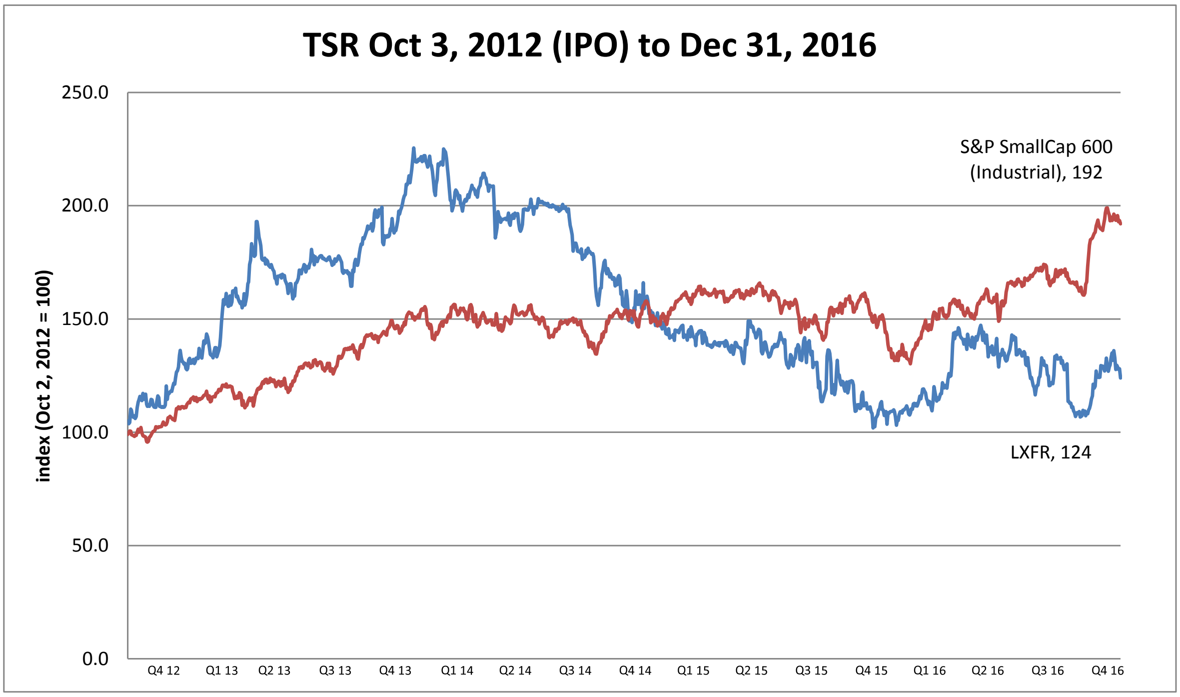
	Shares Owned Beneficially (1x ADS=£0.50 ord.)	Shares Subject to Forfeiture	Options Vested but not Exercised	Restricted Stock Units Not Yet Vested (Assuming will be settled in Shares not Cash)
Brian Purves	670,160	387	201,300	—
Andrew Beaden	103,406	359	80,266	—
Non-Executive				
Joseph Bonn	5,783	—	20,000	3,200
Kevin Flannery	14,355	—	20,000	3,200
David Landless	5,581	—	—	3,200
Brian Kushner	—	—	—	3,200
Adam Cohn	—	—	—	—
Clive Snowdon	2,000	—	—	—

(1) A breakdown of the vested and unvested awards and brief details of the plans under which the awards were made can be found in *Outstanding Share Awards During 2016* table on page 46 of this report.

(2) In addition to the above shareholdings and interests Brian Purves and Andrew Beaden also have interests in the deferred shares of £0.0001 of the Company details of which can be found in the *Notes Directors' Interests in Shares in the Company (audited)* table above.

Performance Graph

U.K. legislation requires the Annual Remuneration Report to contain a line graph that shows the total shareholder return (TSR) over a seven year period for both a holding of the Company's listed shares and a hypothetical comparator holding of shares representing a specified broad equity market index. As the Company's ADSs were only listed on the NYSE at the beginning of October 2012, we are only able to provide TSR for the Company's shares in a listed environment for the period 3 October, 2012 to 31 December, 2016. We have used the S&P SmallCap 600 (Industrial) index as the most appropriate to where we are placed as a small cap company in the U.S. and the industrials sub-sector includes most of our comparable companies. The graph shows the value of $100 vested in Luxfer in October 2012 at the I.P.O., compared to $100 invested in the S&P SmallCap 600 (Industrial) on the same date. The S&P SmallCap 600 (Industrial) was chosen as the index as it comprises companies that most closely resemble Luxfer. The TSR is calculated in U.S. dollars.



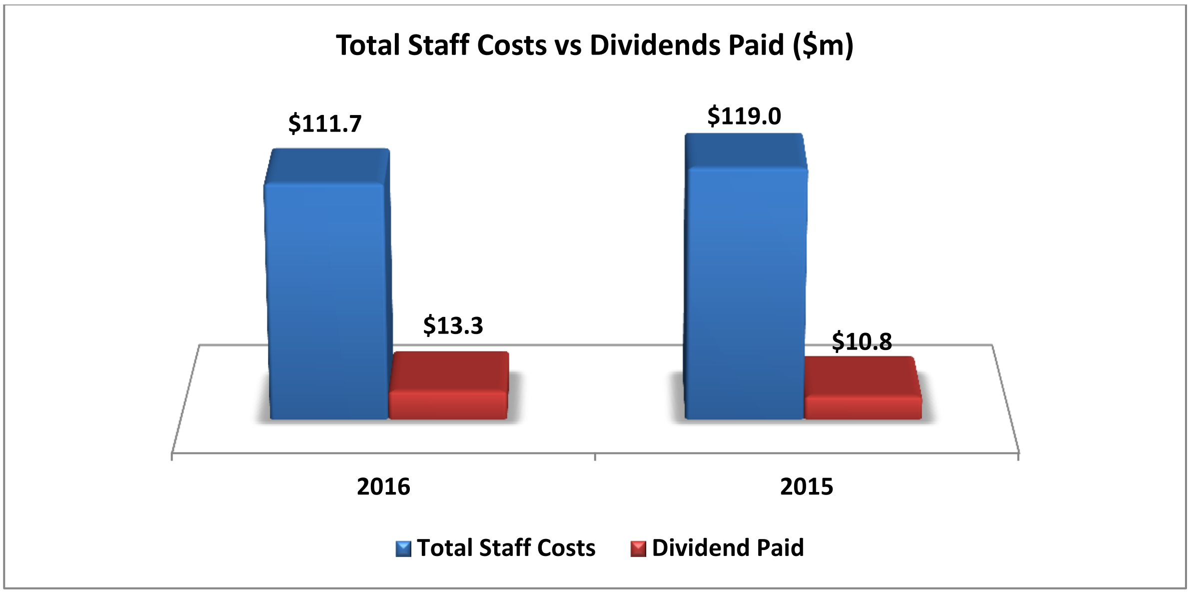
History of Total Remuneration Figure for Chief Executive Officer

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

U.S.$ Year ended 31 December	2010	2011	2012	2013	2014	2015	2016
Total remuneration	897,421	998,638	1,050,878	985,076	853,320	1,021,357	**884,593**
Annual bonus %	100%	100%	71%	0%	0%	39%	**0%**
Share awards vesting %...............	N/A	N/A	100%	59%	59%	21%	**0%**

Relative Importance of Spend on Pay

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



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

Percentage Change in Chief Executive Officer's Remuneration

We have selected U.K. employees as the most appropriate comparator as the Chief Executive Officer is based in the U.K. and the benefits structure is similar. The 2015 amounts were adjusted for the impact of translation and have been calculated using the 2016 average exchange rate of $1.3444:£.

U.S.$	2016	2015	% change
Salary			
Chief Executive Officer	**534,802**	524,316	2.0%
U.K. employee average	**43,927**	43,598	0.8%
Benefits			
Chief Executive Officer	**27,635**	26,864	2.9%
U.K. employee average	**660**	706	(6.5)%
Annual Bonus			
Chief Executive Officer (bonus value taken in shares)	**0**	203,992	(100.0%)
U.K. employee average	**1,215**	1,621	(25.0)%

Statement of voting at AGM

The Annual Remuneration Implementation Report was put to an advisory vote at the 2016 AGM.

	Votes for (and percentage of votes cast)	Votes against (and percentage of votes cast)	Proportion of share capital voting	Shares on which votes were withheld
Annual Remuneration Implementation Report	18,986,432 97.29%	528,850 2.71%	73.77%	3,130

The vote received in favour of the Remuneration Report was 97.29%, and the larger shareholders with whom the Directors liaise with from time to time did not make any negative comments in those conversations concerning Directors' pay and incentives. As referred to in the Chairman's letter at the beginning of the Remuneration Report, the remuneration policy is currently under review and will be presented at the 2017 AGM for Shareholder approval.

Approval of Report

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

Signed on behalf of the Board by:

J A Bonn
CHAIRMAN
14 March, 2017
For and on behalf of the Board

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group consolidated financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website (www.luxfer.com). Legislation in the U.K. governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess a company's performance, business model and strategy.

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

- The Group consolidated financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the group; and

- The Strategic and Directors' Reports contained in this Annual Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Independent auditors' report to the members of Luxfer Holdings PLC

Report on the financial statements

Our opinion

In our opinion:

- Luxfer Holdings PLC's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2016 and of the group's profit and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Consolidated Balance Sheet as at 31 December 2016;
- the Company Balance Sheet as at 31 December 2016;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Company Cash Flow Statement for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Company Statement of Changes in Equity for the year then ended;
- the Notes to the Consolidated Financial Statements, which include a summary of significant accounting policies and other explanatory information; and
- the Notes to the Company Financial Statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the 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 financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 and the 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Graham Parsons (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
March 2017

CONSOLIDATED INCOME STATEMENT

All amounts in millions, except share and per share data

	Note	2016 $M	2015 $M	2014 $M
REVENUE	2	**414.8**	460.3	489.5
Cost of sales		**(321.4)**	(356.3)	(376.6)
Gross profit		**93.4**	104.0	112.9
Distribution costs		**(7.8)**	(7.9)	(8.1)
Administrative expenses		**(50.8)**	(52.6)	(59.7)
Share of results of joint ventures and associates	14	**0.5**	(1.2)	(0.3)
TRADING PROFIT	2	**35.3**	42.3	44.8
Profit on sale of redundant site	5	**2.1**	—	—
Changes to defined benefit pension plan	5	**0.6**	18.0	—
Restructuring and other expense	5	**(2.2)**	(22.4)	(3.9)
OPERATING PROFIT	3	**35.8**	37.9	40.9
Other income / (expense):				
Acquisitions and disposals	5	**0.2**	(2.0)	4.5
Finance income:				
Interest received	7	**1.2**	0.5	0.5
Finance costs:				
Interest costs	8	**(6.8)**	(7.4)	(6.6)
IAS 19R retirement benefits finance charge	8	**(2.1)**	(3.0)	(2.7)
Unwind of discount on deferred contingent consideration from acquisitions	8	**(0.4)**	(0.4)	(0.3)
Total finance costs		**(9.3)**	(10.8)	(9.6)
PROFIT ON OPERATIONS BEFORE TAXATION		**27.9**	25.6	36.3
Income tax expense	9	**(6.0)**	(9.5)	(7.1)
NET INCOME FOR THE YEAR		**21.9**	16.1	29.2
Attributable to:				
Equity shareholders		**21.9**	16.1	29.2
Earnings per share:				
Basic				
Unadjusted	10	**$0.83**	$0.60	$1.09
Diluted				
Unadjusted	10	**$0.82**	$0.59	$1.05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

All amounts in millions, except share and per share data

	Note	2016 $M	2015 $M	2014 $M
Net income for the year		**21.9**	16.1	29.2
Other comprehensive income movements				
Items that may be reclassified to the consolidated income statement:				
Exchange differences on translation of foreign operations		**(13.1)**	(8.6)	(10.8)
Fair value movements in cash flow hedges		**1.1**	(5.4)	1.4
Transfers to consolidated income statement on cash flow hedges		**(0.9)**	(0.1)	0.1
Exchange differences on translation of hedging reserve		**—**	—	0.2
Deferred income taxes on cash flow hedges		**—**	1.1	(0.5)
Hedge accounting income / (expense) adjustments		**0.2**	(4.4)	1.2
Total hedge accounting and translation of foreign operations movements		**(12.9)**	(13.0)	(9.6)
Items that will not be reclassified to the consolidated income statement:				
Remeasurement of defined benefit retirement plans	29	**(21.7)**	4.4	(35.4)
Deferred income taxes on retirement benefits remeasurements	23	**4.3**	(1.5)	8.9
Retirement benefits changes		**(17.4)**	2.9	(26.5)
Total other comprehensive loss movements for the year		**(30.3)**	(10.1)	(36.1)
Total comprehensive (loss) / income for the year		**(8.4)**	6.0	(6.9)
Attributed to:				
Equity shareholders		**(8.4)**	6.0	(6.9)

CONSOLIDATED BALANCE SHEET

All amounts in millions, except share and per share data

	Note	31 December, 2016 $M	31 December, 2015 $M
ASSETS			
Non-current assets			
Property, plant and equipment	11	**127.9**	136.0
Intangible assets	12	**80.6**	87.0
Investments	14	**10.0**	7.2
Deferred income tax assets	23	**16.6**	13.8
Trade and other receivables	16	**0.3**	—
		235.4	244.0
Current assets			
Inventories	15	**82.5**	91.8
Trade and other receivables	16	**57.6**	62.3
Income tax receivable		**2.4**	0.7
Cash and cash equivalents	17	**13.6**	36.9
		156.1	191.7
TOTAL ASSETS		**391.5**	435.7
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	18	**25.3**	25.3
Deferred share capital	18	**150.9**	150.9
Share premium account	18	**56.4**	56.4
Treasury shares	18	**(7.1)**	(1.3)
Retained earnings	20	**308.1**	316.6
Own shares held by ESOP	18	**(0.5)**	(0.2)
Share based compensation reserve	20	**3.8**	4.1
Hedging reserve	20	**(3.3)**	(3.5)
Translation reserve	20	**(57.9)**	(44.8)
Merger reserve	20	**(333.8)**	(333.8)
Capital and reserves attributable to the Group's equity shareholders		**141.9**	169.7
Total equity		**141.9**	169.7
Non-current liabilities			
Bank and other loans	21	**121.0**	131.6
Retirement benefits	29	**66.5**	58.9
Deferred income tax liabilities	23	**4.9**	1.7
Deferred contingent consideration	25	**1.5**	2.9
Provisions	22	**1.1**	1.5
Trade and other payables	24	**0.6**	
		195.6	196.6
Current liabilities			
Trade and other payables	24	**51.1**	65.5
Current income tax liabilities		**0.1**	0.1
Deferred consideration	25	**1.3**	—
Provisions	22	**1.5**	3.8
		54.0	69.4
Total liabilities		**249.6**	266.0
TOTAL EQUITY AND LIABILITIES		**391.5**	435.7

SIGNED ON BEHALF OF THE BOARD

Brian Purves **Andrew Beaden**

March 14, 2017

Company Registration no. 03690830

CONSOLIDATED CASH FLOW STATEMENT

All amounts in millions, except share and per share data

	Note	2016 $M	2015 $M	2014 $M
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the year		**21.9**	16.1	29.2
Adjustments to reconcile net income for the year to net cash flows from operating activities:				
Income taxes	9	**6.0**	9.5	7.1
Depreciation and amortisation	3	**18.4**	18.6	18.1
Loss on disposal of property, plant and equipment	3	**0.2**	—	0.3
Profit on sale of redundant site	5	**(2.1)**	—	—
Share based compensation charges net of cash settlement	6	**1.1**	1.3	1.8
Net interest costs		**5.6**	6.9	6.1
Non-cash restructuring charges		—	17.7	—
Curtailment and past service credits on retirement benefits obligations	5	**(0.6)**	(18.2)	—
IAS 19R retirement benefits finance charge		**2.1**	3.0	2.7
Acquisitions and disposals costs	5	**(0.2)**	2.0	(4.5)
Unwind of discount on deferred contingent consideration from acquisitions		**0.4**	0.4	0.3
Share of results of joint ventures and associates	14	**(0.5)**	1.2	0.3
Changes in operating assets and liabilities:				
Sale of assets classified as held for sale		—	1.2	(1.2)
(Increase) / decrease in receivables		**(1.8)**	5.0	(7.8)
Decrease / (increase) in inventories		**4.5**	3.0	(8.5)
Decrease in payables		**(10.3)**	(0.9)	(1.9)
Movement in retirement benefits obligations		**(6.3)**	(8.6)	(10.4)
Movement in provisions	22	**(2.6)**	0.3	—
Acquisitions and disposals costs paid	25	**(1.2)**	(0.6)	(1.6)
Income taxes paid		**(5.4)**	(5.1)	(7.0)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**29.2**	52.8	23.0
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment		**(16.5)**	(15.3)	(20.4)
Purchases of intangible assets		**(2.4)**	(2.1)	(1.9)
Proceeds from sale of redundant site		**3.0**	—	—
Receipts from sales of property, plant and equipment		**0.4**	—	—
Cash received as compensation for insured assets		**0.2**	—	—
Investment in joint ventures and associates		**0.2**	(4.2)	0.2
Interest income received from joint ventures and associates		**0.3**	0.4	0.3
Net cash flows on purchase of businesses	25	**(0.3)**	—	(58.0)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(15.1)**	(21.2)	(79.8)
NET CASH FLOWS BEFORE FINANCING		**14.1**	31.6	(56.8)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest and similar finance costs paid on banking facilities		**(1.9)**	(1.7)	(1.3)
Interest paid on Loan Notes		**(4.5)**	(4.9)	(4.2)
Bank interest received		**0.2**	0.2	0.2
(Repayment) / draw down on banking facilities		**(8.5)**	9.6	35.2
Issue of Loan Notes due 2021		—	—	25.0
Repayment of other loans		—	—	(0.3)
Amendment to banking facilities—financing costs		—	—	(1.5)
Extension to Loan Notes – financing costs		**(0.2)**	—	—
Issue of Loan Notes due 2021—financing costs		—	—	(0.2)
Dividends paid	19	**(13.3)**	(10.8)	(10.8)
ESOP cash movements	18	**(1.0)**	0.1	0.1
Proceeds from issue of shares		—	0.2	0.6
Purchase of treasury shares	18	**(6.3)**	(1.9)	—
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(35.5)**	(9.2)	42.8
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(21.4)**	22.4	(14.0)
Net foreign exchange differences		**(1.9)**	(0.1)	0.2
Cash and cash equivalents at 1 January	17	**36.9**	14.6	28.4
Cash and cash equivalents at 31 December	17	**13.6**	36.9	14.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All amounts in millions, except share and per share data

		Equity attributable to the equity shareholders of the parent							
	Note	Ordinary share capital $M	Deferred share capital $M	Share premium account $M	Treasury shares $M	Retained earnings $M	Own shares held by ESOP $M	Other reserves[1] $M	Total equity $M
At 1 January, 2014		**25.3**	**150.9**	**55.6**	**-**	**317.3**	**(0.5)**	**(356.9)**	**191.7**
Net income for the year		-	-	-	-	29.2	-	-	29.2
Currency translation differences		-	-	-	-	-	-	(10.6)	(10.6)
Increase in fair value of cash flow hedges		-	-	-	-	-	-	1.4	1.4
Transfer to consolidated income statement on cash flow hedges		-	-	-	-	-	-	0.1	0.1
Remeasurement of defined benefit retirement plans		-	-	-	-	(35.4)	-	-	(35.4)
Deferred income taxes on items taken to other comprehensive income		-	-	-	-	8.9	-	(0.5)	8.4
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**2.7**	**-**	**(9.6)**	**(6.9)**
Equity dividends	19	-	-	-	-	(10.8)	-	-	(10.8)
Arising from issue of share capital	18	-	-	0.6	-	-	-	-	0.6
Equity settled share based compensation charges	18	-	-	-	-	-	-	1.1	1.1
Deferred income taxes on items taken to equity	23	-	-	-	-	(0.4)	-	-	(0.4)
Purchase of shares from ESOP	18	-	-	-	-	-	0.1	-	0.1
Other changes in equity in the year		**-**	**-**	**0.6**	**-**	**(11.2)**	**0.1**	**1.1**	**(9.4)**
At 31 December, 2014		**25.3**	**150.9**	**56.2**	**-**	**308.8**	**(0.4)**	**(365.4)**	**175.4**
Net income for the year		-	-	-	-	16.1	-	-	16.1
Currency translation differences		-	-	-	-	-	-	(8.6)	(8.6)
Decrease in fair value of cash flow hedges		-	-	-	-	-	-	(5.4)	(5.4)
Transfer to consolidated income statement on cash flow hedges		-	-	-	-	-	-	(0.1)	(0.1)
Remeasurement of defined benefit retirement plans		-	-	-	-	4.4	-	-	4.4
Deferred income taxes on items taken to other comprehensive income	23	-	-	-	-	(1.5)	-	1.1	(0.4)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**19.0**	**-**	**(13.0)**	**6.0**
Equity dividends	19	-	-	-	-	(10.8)	-	-	(10.8)
Equity settled share based compensation charges	18	-	-	-	-	-	-	0.9	0.9
Arising from issue of share capital	18	-	-	0.2	-	-	-	-	0.2
Purchase of own shares	18	-	-	-	(1.9)	-	-	-	(1.9)
Purchase of shares from ESOP	18	-	-	-	-	-	0.1	-	0.1
Utilisation of treasury shares	18	-	-	-	0.6	(0.1)	-	(0.5)	-
Deferred income taxes on items taken to equity	23	-	-	-	-	(0.3)	-	-	(0.3)
Exchange movement on ESOP	18	-	-	-	-	-	0.1	-	0.1
Other changes in equity in the year		**-**	**-**	**0.2**	**(1.3)**	**(11.2)**	**0.2**	**0.4**	**(11.7)**
At 31 December, 2015		**25.3**	**150.9**	**56.4**	**(1.3)**	**316.6**	**(0.2)**	**(378.0)**	**169.7**
Net income for the year		-	-	-	-	21.9	-	-	21.9
Currency translation differences		-	-	-	-	-	-	(13.1)	(13.1)
Increase in fair value of cash flow hedges		-	-	-	-	-	-	1.1	1.1
Transfer to consolidated income statement on cash flow hedges		-	-	-	-	-	-	(0.9)	(0.9)
Remeasurement of defined benefit retirement plans		-	-	-	-	(21.7)	-	-	(21.7)
Deferred income taxes on items taken to other comprehensive income	23	-	-	-	-	4.3	-	-	4.3
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**4.5**	**-**	**(12.9)**	**(8.4)**
Equity dividends	19	-	-	-	-	(13.3)	-	-	(13.3)
Equity settled share based compensation charges	18	-	-	-	-	-	-	1.2	1.2
Purchase of own shares	18	-	-	-	(6.3)	-	-	-	(6.3)
Purchase of shares into ESOP	18	-	-	-	-	-	(1.0)	-	(1.0)
Utilisation of treasury shares	18	-	-	-	0.5	0.1	-	(0.6)	-
Utilisation of shares from ESOP	18	-	-	-	-	0.2	0.7	(0.9)	-
Other changes in equity in the year		**-**	**-**	**-**	**(5.8)**	**(13.0)**	**(0.3)**	**(0.3)**	**(19.4)**
At 31 December, 2016		**25.3**	**150.9**	**56.4**	**(7.1)**	**308.1**	**(0.5)**	**(391.2)**	**141.9**

(1) Other reserves include a hedging reserve of a loss of $3.3 million (2015: a loss of $3.5 million and 2014: a gain of $0.9 million), a translation reserve of $57.9 million (2015: $44.8 million and 2014: $36.2 million), a merger reserve of $333.8 million (2015 and 2014: $333.8 million) and a share based compensation reserve of $3.8 million (2015: $4.1 million and 2014: $3.7 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
All amounts in millions, except share and per share data

1. Accounting policies

Basis of preparation and statement of compliance with IFRS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December, 2016. The consolidated financial statements have been prepared on a historical cost basis, except where IFRS requires or permits fair value measurement.

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

For the purpose of the accompanying consolidated financial statements, subsequent events have been evaluated through to March 14, 2017, which is the date the consolidated financial statements were authorised by the Board. The consolidated financial statements were issued on March 14, 2017.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Luxfer Holdings PLC and its subsidiaries (the "Group") at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, including 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 consolidated financial statements for the years ended 31 December, 2014, 31 December, 2015 and 31 December, 2016.

Presentation currency

The consolidated financial statements are presented in U.S. dollars and all values are rounded to the nearest $0.1 million except when otherwise indicated. The books of the Group's non-U.S. entities are converted to U.S. dollars at each reporting period date in accordance with the accounting policy below. The functional currency of the holding company Luxfer Holdings PLC and its U.K. subsidiaries remains GBP sterling, being the most appropriate currency for those particular operations.

Business combinations and goodwill

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

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount 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 value 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 U.K. GAAP amounts subject to being tested for impairment at that date and in subsequent years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
All amounts in millions, except share and per share data

1. Accounting policies (Continued)

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

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

Other intangible assets

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

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

Technology and patents	14 – 20 years
Tradenames and trademarks	20 – 25 years
Customer relationships	12.5 years
Backlogs and non-compete agreements	5 – 6 years
Development costs	5 – 10 years
Software	4 – 7 years

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

Revenue

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

Sale of goods

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

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

Royalties

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
All amounts in millions, except share and per share data

1. Accounting policies (Continued)

Tooling revenue

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

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is initially calculated on a straight-line basis over the estimated useful life of the particular asset. As a result of the complexity of our manufacturing process, there is a wide range of plant and equipment in operation. The rate of annual charge is 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 fair value less costs of disposal and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the consolidated income statement as part of the profit or loss on operations before taxation.

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 value of the item) is included in the consolidated income statement in the year the item is derecognised.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
All amounts in millions, except share and per share data

1. Accounting policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials are valued on a first-in, first-out basis. Strategic purchases of inventories in order to secure supply and reduce the impact of price volatility on the cost of inventories are valued on an average cost basis. Work in progress and finished goods costs comprise direct materials and, where applicable, direct labor costs, an apportionment of production overheads and any other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution. Inventories are reviewed on a regular basis, and we will make allowance for excess or obsolete inventories and write-down to net realisable value based primarily on committed sales prices and our estimates of expected and future product demand and related pricing.

Foreign currencies

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

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

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

Income taxes

Current income taxes

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

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

Deferred income taxes

Deferred income taxes are the future income taxes expected to be payable or recoverable on differences between the carrying values of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
All amounts in millions, except share and per share data

1. Accounting policies (Continued)

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

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

Leases

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 recognised as an expense in the consolidated income statement. 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 consolidated income statement on a straight-line basis over the lease term.

Retirement benefits costs

In respect of defined benefit plans, obligations are measured at the present value whilst plan assets are recorded at fair value. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date.

The charge to the consolidated income statement is based on an actuarial calculation of the Group's portion of the annual expected costs of the benefit plans and the net interest cost, which is calculated by applying the discount rate to the net defined benefit obligation, taking into account contributions and benefits paid. Remeasurements are recognised in the statement of comprehensive income.

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

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

Government grants

Government grants relating to property, plant and equipment are treated as deferred income and released to the consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
All amounts in millions, except share and per share data

1. Accounting policies (Continued)

Share based compensation

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

Separate disclosure of expenses or income

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

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

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

Cash and cash equivalents

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

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 consolidated income statement. The cash flows associated with the discontinued operations are also separately disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
All amounts in millions, except share and per share data

1. Accounting policies (Continued)

Assets (or disposal groups) held for sale are classified as assets held for sale and stated at the lower of their carrying value and fair value costs to sell, if their carrying value 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 ventures

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

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

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

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

Interest in associates

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

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

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

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

Gains or losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
All amounts in millions, except share and per share data

1. Accounting policies (Continued)

Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

Financial assets and liabilities

Trade and other receivables

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

Bank and other loans

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

Trade payables

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

Derivative financial instruments

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

Hedges are classified as cash flow hedges when they hedge exposure to variability in cash flows either attributable to a particular risk associated with a 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 consolidated income statement.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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1. Accounting policies (Continued)

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

Critical accounting judgments and key sources of estimation uncertainty

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

Impairment of non-financial assets

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

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

Pensions

Determining the present value of future obligations of pensions requires an estimation of future mortality rates, future salary increases, future pension increases, future inflation increases and discount rates. These assumptions are determined in association with qualified actuaries. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The pension liabilities at 31 December, 2016 are $66.5 million (2015: $58.9 million). Further details are given in Note 29.

Deferred income taxes

Deferred income 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. Judgment is required to determine the amount of deferred income 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 23.

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 we will make allowance for excess or obsolete inventories and write down to net realisable value based primarily on committed sales prices and our estimates of expected and future product demand and related pricing.

Measurement of contingent consideration

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
All amounts in millions, except share and per share data

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

International Financial Reporting Standards		Effective date
IFRSs	Annual Improvements to IFRSs: 2013 Cycle	1 January, 2015
IFRSs	Annual Improvements to IFRSs: 2014 Cycle	1 January, 2016
IFRS 11	Joint Arrangements (Amendments)	1 January, 2016
IAS 16, IAS 38	Property, Plant and Equipment, Intangible Assets (Amendments)	1 January, 2016
IFRS 10, IAS 28	Consolidated Financial Statements, Investments in Associates and Joint Ventures (Amendments)	1 January, 2016
IAS 1	Presentation of Financial Statements (Amendments)	1 January, 2016

New standards and amendments to standards not applied

The IASB has issued the following standards and amendments to standards with a mandatory effective date on or after 1 January, 2017:

International Financial Reporting Standards		Mandatory effective date
IAS 7	Statement of cash flows (Amendments)	No earlier than 1 January, 2017
IAS 12	Income taxes (Amendments)	No earlier than 1 January, 2017
IFRS 2	Share based payments (Amendments)	No earlier than 1 January, 2018
IFRS 15	Revenue from Contracts with Customers	No earlier than 1 January, 2018
IFRS 9	Financial Instruments	No earlier than 1 January, 2018
IFRS 16	Leases	No earlier than 1 January, 2019

The Group applies IFRS as issued by the IASB.

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

- IFRS 15 – This may affect the timing of the recognition of our tooling revenue, although the directors do not believe that this will have a significant impact;

- IFRS 9 – Financial assets will continue to be classified and measured at amortised cost under IFRS 9. The directors anticipate that the timing of the recognition of impairments will change rather than the size of the balance. Foreign currency exchange contracts should not be impacted although the ability to hedge component parts of the commodity hedges should allow us to decrease the risk of ineffectiveness; and

- IFRS 16 – Currently disclosed operating leases would be brought on to the balance sheet, and rather than a lease expense charge going through operating income, a depreciation charge and a finance charge would replace this, with the latter going through finance costs. The current level of operating lease commitments is disclosed in Note 26.

Beyond the information above it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
All amounts in millions, except share and per share data

2. Revenue and segmental analysis

For management purposes, the Group is organised into two reporting divisions, Gas Cylinders and Elektron. These divisions are aggregated from the four identified cash generating units, (CGUs) in the Group; Luxfer Gas Cylinders and Superform aggregate to Gas Cylinders; and Magnesium Elektron and MEL Chemicals aggregate to Elektron. This rationale is in line with IFRS 8 which allows for aggregation of operating segments on the basis they share similar economic characteristics for the nature of the products and services; the nature of the production processes; the type or class of customer for their products and services; the methods used to distribute their products or provide their services; and the nature of the regulatory environment. 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 by the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Board, based on trading profit or loss (defined as operating profit or loss before changes to defined benefit pension plans and restructuring and other expense), and adjusted EBITDA (defined as profit on operations before taxation for the period, finance income (which comprises interest received) and costs (which comprises interest costs, IAS 19R retirement benefits finance charge and the unwind of the discount on deferred contingent consideration from acquisitions), other income / (expense) from acquisitions and disposals of businesses, changes to defined benefit pension plans, restructuring and other expense, other share based compensation charges, depreciation and amortisation and loss on disposal of property, plant and equipment). For the purposes of our divisional segmental analysis, IFRS 8 requires the use of “segment profit” performance measures that are used by our chief operating decision maker. Trading profit is the “segment profit” used to satisfy this requirement in the below analysis.

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

All inter-segment revenue is made on an arm’s length basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
All amounts in millions, except share and per share data

2. Revenue and segmental analysis (Continued)

REPORTING SEGMENTS:

Year ended 31 December, 2016

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts in millions, except share and per share data

2. Revenue and segmental analysis (Continued)

Year ended 31 December, 2015

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts in millions, except share and per share data

2. Revenue and segmental analysis (Continued)

Year ended 31 December, 2014

	Gas Cylinders $M	Elektron $M	Unallocated $M	Total $M
Revenue				
Segment revenue	258.9	231.5	—	**490.4**
Inter-segment revenue	—	(0.9)	—	**(0.9)**
Revenue to external customers	258.9	230.6	—	**489.5**
Result				
Adjusted EBITDA	14.7	50.1	—	**64.8**
Other share based compensation charges	(0.8)	(0.8)	—	**(1.6)**
Loss on disposal of property, plant and equipment	(0.2)	(0.1)	—	**(0.3)**
Depreciation and amortisation	(7.8)	(10.3)	—	**(18.1)**
Trading profit—segment result	5.9	38.9	—	**44.8**
Restructuring and other expense (Note 5)	(1.1)	(2.6)	(0.2)	**(3.9)**
Operating profit/(loss)	4.8	36.3	(0.2)	**40.9**
Acquisitions and disposals (Note 5)	1.2	3.3	—	**4.5**
Net interest costs	—	—	(6.1)	**(6.1)**
IAS 19R retirement benefits finance charge	—	—	(2.7)	**(2.7)**
Unwind of discount on deferred contingent consideration from acquisitions	(0.1)	(0.2)	—	**(0.3)**
Profit/(loss) on operations before taxation	5.9	39.4	(9.0)	**36.3**
Tax expense				**(7.1)**
Net income for the year employed				**29.2**
Other segment information				
Segment assets	189.5	216.8	53.5	**459.8**
Segment liabilities	(33.0)	(25.1)	(226.3)	**(284.4)**
Net assets/(liabilities) employed[(2)]	156.5	191.7	(172.8)	**175.4**
Capital expenditure: Property, plant and equipment	8.2	12.3	—	**20.5**
Capital expenditure: Intangible assets	1.0	0.9	—	**1.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
All amounts in millions, except share and per share data

2. Revenue and segmental analysis (Continued)

GEOGRAPHIC ORIGIN:

Year ended 31 December, 2016

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Revenue and segmental analysis (Continued)

Year ended 31 December, 2015

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

Year ended 31 December, 2014

	United Kingdom $M	Rest of Europe $M	North America $M	Australasia $M	Asia $M	Total $M
Revenue						
Segment revenue	181.9	81.9	292.1	0.1	5.5	**561.5**
Inter-segment revenue	(38.2)	(4.6)	(29.2)	—	—	**(72.0)**
Revenue to external customers	143.7	77.3	262.9	0.1	5.5	**489.5**
Result						
Adjusted EBITDA	24.4	(1.9)	41.1	0.1	1.1	**64.8**
Other share based compensation charges	(1.1)	—	(0.5)	—	—	**(1.6)**
Loss on disposal of property, plant and equipment	(0.1)	—	(0.2)	—	—	**(0.3)**
Depreciation and amortisation	(6.5)	(2.9)	(8.6)	—	(0.1)	**(18.1)**
Trading profit/(loss)—segment result	16.7	(4.8)	31.8	0.1	1.0	**44.8**
Restructuring and other expense (Note 5)	(0.9)	(0.3)	(2.7)	—	—	**(3.9)**
Operating profit/(loss)	15.8	(5.1)	29.1	0.1	1.0	**40.9**
Other geographical segment information						
Non-current assets[(1)]	70.8	18.5	154.8	—	0.4	**244.5**
Net (liabilities)/assets employed[(2)]	(14.8)	45.2	139.6	0.1	5.3	**175.4**
Capital expenditure: Property, plant and equipment	8.0	2.0	10.5	—	—	**20.5**
Capital expenditure: Intangible assets	0.9	0.4	0.6	—	—	**1.9**

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

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

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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							
Year ended 31 December, 2016	36.4	94.2	2.4	226.3	9.9	45.6	**414.8**
Year ended 31 December, 2015	53.5	98.9	2.7	245.9	13.4	45.9	**460.3**
Year ended 31 December, 2014	54.7	109.1	4.6	231.0	16.2	73.9	**489.5**

3. Operating profit

Operating profit is stated after charging/ (crediting):

	2016 $M	2015 $M	2014 $M
Research and development expenditure charged to the consolidated income statement	**5.5**	5.8	8.4
Development capital expenditure included within non-current assets	**2.1**	2.5	2.2
Total research and development expenditure	**7.6**	8.3	10.6
less development expenditure capitalised within non-current assets	**(2.1)**	(2.5)	(2.2)
Net research and development	**5.5**	5.8	8.4
Depreciation of property, plant and equipment (Note 11)	**16.7**	16.6	16.9
Amortisation of intangible assets (Note 12)	**1.7**	2.2	1.2
Loss on disposal of property, plant and equipment	**0.2**	—	0.3
Net foreign exchange gains	**(0.7)**	(0.6)	(0.5)
Staff costs (Note 6)	**111.7**	119.0	122.7
Cost of inventories recognised as expense	**287.3**	316.2	329.9

4. Fees payable to auditors

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

PricewaterhouseCoopers LLP was appointed as the Group's auditor for the year ended 31 December, 2015. Accordingly, comparative figures in the table below for the year ended 31 December, 2014 are in respect of remuneration paid to the Group's previous auditor, Ernst & Young LLP and other member firms of Ernst & Young Global Limited.

	2016 $M	2015 $M	2014 $M
Fees payable to auditors for the audit of the consolidated financial statements	**1.1**	1.1	1.1
Fees payable to auditors for non-audit services:			
Tax compliance services	**—**	—	0.3
Tax advisory services	**—**	—	0.2
	—	—	0.5
Total fees payable	**1.1**	1.1	1.6

The audit fee for the company financial statements of Luxfer Holdings PLC was $0.1 million (2015: $0.1 million and 2014: $0.2 million).

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5. Other income/ (expense) items

	2016 $M	2015 $M	2014 $M
(a) Profit on sale of redundant site			
Credited to operating profit:			
Profit on sale of redundant site	**2.1**	—	—
	2.1	—	—
(b) Changes to defined benefit pension plan			
Credited to operating profit:			
Changes to defined benefit pension plan	**0.6**	18.0	—
	0.6	18.0	—
(c) Restructuring and other expense			
Charged to operating profit:			
Rationalisation of operations	**(0.4)**	(21.8)	(1.7)
Patent infringement litigation costs	**(0.6)**	(0.5)	—
Receivable impairment provision	**(1.2)**	—	—
I.P.O. related share based compensation charges	**—**	(0.1)	(0.2)
Environment costs	—	—	(2.0)
	(2.2)	(22.4)	(3.9)
(d) Acquisitions and disposals			
(Charged)/credited to non-operating profit:			
Merger and acquisition costs	**(0.3)**	(2.0)	(1.8)
Remeasurement of deferred contingent consideration	**0.5**	—	6.3
	0.2	(2.0)	4.5

Profit on sale of redundant site

In 2016, a profit of $2.1 million has been recognised in relation to the sale of the redundant Redditch site to a company that specialises in remediating contaminated land.

Changes to defined benefit pension plans

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

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

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

Rationalisation of operations

In 2016, $0.4 million (2015: $nil and 2014: $0.6 million) of costs have been incurred in relation to rationalisation costs in the Elektron division and $nil (2015: $21.8 million and 2014: $1.1 million) have been incurred in the Gas Cylinders division.

In 2015, $21.8 million (2014: $1.1 million and 2013: $0.3 million) of costs have been incurred in relation to rationalisation costs in the Gas Cylinders division and $nil (2014: $0.6 million and 2013: $0.2 million) have been incurred in the Elektron division. The $21.8 million of costs incurred in the Gas Cylinders division related to the rationalisation of its Alternative Fuel (“AF”) operations, including closure of two manufacturing facilities (in Germany and Utah) and a review of related assets and investments for obsolescence and impairment. The charge comprises asset write-downs of $17.7 million, redundancy costs of $2.2 million, closure costs of $1.7 million and legal costs of $0.2 million.

Patent infringement litigation costs

In 2016, $0.6 million (2015: $0.5 million and 2014: $nil) of legal costs have been incurred in relation to a patent infringement litigation action taken against a competitor; all such costs relate to the Elektron division.

Receivable impairment provision

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

I.P.O. related share based compensation charges

In 2015, a charge of $0.1 million (2014: $0.2 million) was recognised in the consolidated income statement under IFRS 2 in relation to share options granted as part of the initial public offering. The share options are described in further detail in Note 31.

Environmental costs

In 2014, $2.0 million of additional costs were incurred in relation to the remediation of an effluent pond contaminated with low-level radioactive material in our Elektron division. On planned removal and safe disposal of normal effluent from one of our Elektron sites, an unusual contamination of sludge waste was discovered that did not relate to the current operations and most likely related to historical contamination of raw materials from over 15 years ago. The material was removed and safely disposed of in late 2014.

Merger and acquisition costs

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

In 2015, a charge of $1.8 million related to two approaches to acquire the company. Neither of these approaches resulted in an executable offer that could be put to shareholders. In 2015, $0.2 million of legal costs have been incurred in relation to the investment in Sub161 Pty Limited; further details are given in Note 14. In 2014, acquisition costs of $1.5 million were recognised by the Elektron division and $0.3 million by the Gas Cylinders division in relation to acquisitions in the year. The acquisitions are described in further detail in Note 25.

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

Remeasurement of deferred contingent consideration

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

In 2014, a credit of $6.3 million was recognised in the consolidated income statement in relation to the remeasurement of deferred contingent consideration arising from acquisitions. Of the $6.3 million, $4.8 million related to the Elektron division and specifically to the acquisition of Luxfer Magtech Inc. where an element of deferred contingent consideration was considered no longer payable due to the acquired business narrowly failing to achieve a profit trigger at 31 December, 2014. In addition, $1.5 million related to the Gas Cylinders division, being the acquisition of Luxfer Utah and a subsequent reassessment of the potential profitability of this acquisition in the light of our then revised expectations for the demand of CNG systems following the fall in oil prices at that time.

6. Staff Costs

	2016 $M	2015 $M	2014 $M
Wages and salaries	**92.2**	96.3	98.0
Social security costs	**10.5**	11.2	12.3
Retirement benefits costs	**4.8**	5.9	6.6
IAS 19R retirement benefits finance charge	**2.1**	3.0	2.7
Redundancy costs: Continuing activities	**0.7**	1.5	1.3
Share based compensation charges	**1.4**	1.1	1.8
	111.7	119.0	122.7

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

	2016 No.	2015 No.	2014 No.
Production and distribution	**1,381**	1,432	1,435
Sales and administration	**246**	218	198
Research and development	**60**	56	57
	1,687	1,706	1,690

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

	2016 $M	2015 $M	2014 $M
Remuneration (short-term benefits)	**1.5**	1.7	1.4
Social security costs	**0.2**	0.2	0.2
Post-retirement benefits	**0.1**	0.2	0.3
Total short-term and post-retirement benefits	**1.8**	2.1	1.9

In 2016, compensation of key management personnel (including directors) was $2.2 million (2015: $2.6 million and 2014: $2.5 million) for short-term employee benefits, and $0.2 million (2015: $0.4 million and 2014: $0.5 million) for post-employment benefits. Social security costs were incurred of $0.3 million (2015: $0.4 million and 2014: $0.3 million).

Details of the share awards granted are included in the remuneration report in tables 3 and 4 of the Remuneration Report.

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6. Staff costs (Continued)

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

Directors' interests and related party transactions

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

On 5 February, 2014, as a part of a relocation, one of the subsidiary companies of the Group purchased outright the residential property of David Rix, a member of our Executive Management Board. The property was valued on an arm's length basis by third parties with a purchase price of $1.2 million. This asset was held as a current asset in the Group balance sheet at 31 December, 2014. On 3 July, 2015, the property was sold for proceeds of $1.2 million.

The son of the Chief Executive Officer is employed by the Group, having joined through our normal recruitment channels.

7. Finance income

	2016 $M	2015 $M	2014 $M
Bank interest receivable	**0.2**	0.2	0.2
Other interest receivable	**0.3**	0.3	0.3
Foreign exchange gains on financing activities	**0.7**	—	—
Total finance income	**1.2**	0.5	0.5

8. Finance costs

	2016 $M	2015 $M	2014 $M
Bank and other loan interest payable	**6.3**	6.5	5.2
Amortisation of issue costs	**0.5**	0.9	1.4
IAS 19R retirement benefits finance charge	**2.1**	3.0	2.7
Unwind of discount on deferred contingent consideration from acquisitions	**0.4**	0.4	0.3
Total finance costs	**9.3**	10.8	9.6

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9. Income taxes

(a) Analysis of taxation charge for the year

	2016 $M	2015 $M	2014 $M
Current income taxes:			
U.K. corporation tax	**—**	0.3	0.4
Adjustments in respect of previous years	**0.2**	(0.4)	—
	0.2	(0.1)	0.4
Non-U.K. tax	**3.5**	7.2	6.8
Adjustments in respect of previous years	**—**	(0.9)	(0.1)
Total current tax charge	**3.7**	6.2	7.1
Deferred income taxes:			
Origination and reversal of temporary differences	**2.1**	2.7	0.1
Adjustments in respect of previous years	**0.2**	0.6	(0.1)
Total deferred income taxes charge	**2.3**	3.3	—
Tax on profit on operations	**6.0**	9.5	7.1

The income taxes charges relate to continuing activities and there is no tax charge in relation to discontinued activities.

In 2015, the non-U.K. tax figure was distorted primarily due to the $21.8 million of AF restructuring and other expenses did not lead to a full tax credit due to losses in the AF business.

(b) Factors affecting the taxation charge for the year

The tax assessed for the year differs from the standard rate of 20% (2015: 20.25% and 2014: 21.5%) for corporation tax in the U.K.

The differences are explained below:

	2016 $M	2015 $M	2014 $M
Profit on operations before taxation	**27.9**	25.6	36.3
Profit on operations at 2016 standard rate of corporation tax in the U.K. of 20% (2015: 20.25% and 2014: 21.5%)	**5.6**	5.2	7.8
Effects of:			
Non-deductible expenses / (income not taxable)	**0.2**	2.4	(1.7)
Unprovided deferred income taxes	**(2.9)**	—	(1.2)
Foreign tax rate differences	**2.7**	2.6	2.4
Adjustment in respect of previous years	**0.4**	(0.7)	(0.2)
Tax expense	**6.0**	9.5	7.1

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9. Income taxes (Continued)

(c) Factors that may affect future taxation charge

At 31 December, 2016, the Group had carried forward tax losses of $72.1 million (U.K.: $35.3 million, non-U.K.: $36.8 million). Carried forward tax losses for 2015 were $82.9 million (U.K.: $52.9 million, non-U.K.: $30.0 million) and for 2014 were $91.8 million (U.K.: $62.4 million, non-U.K.: $29.4 million). To the extent that these losses are not already recognised for as deferred income taxes, and available to offset against future taxable profits, it is expected that the future effective tax rate would be below the standard rate in the country where the profits are offset. The Group has unrecognised deferred tax assets relating to certain trading and capital losses and other temporary timing difference of $12.3 million (2015: $14.2 million, 2014: $17.8 million), potentially available for offset against future profits.

In his Budget announcement of March 16, 2016, the Chancellor of the Exchequer announced certain tax changes which will have a significant effect on the Group's future tax position. The proposals include further reductions in the U.K. corporation tax rate to 17% from 1 April, 2021.

At 31 December, 2016, the previously announced reductions in the rate had been 'substantively enacted' and this has been reflected in the Group's consolidated financial statements at 31 December, 2016.

10. Earnings per share

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

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

Following the approval of a two-for-one share split at the Annual General Meeting on May 29, 2014, the nominal value of each ordinary share is £0.50 and now represents 1 American Depositary Share ("ADS"), resulting in the earnings per ordinary share being equivalent to the earnings per ADS.

The ADSs of Luxfer Holdings PLC are listed on the New York Stock Exchange following an initial public offering on 3 October, 2012. The company's £0.50 ordinary shares are not traded on any recognised stock exchange. The Depositary for the ADSs holds 1 £0.50 ordinary share for every 1 ADS traded, through American Depositary Receipts.

Under IAS 33, the number of shares used in the earnings per share calculations for the prior periods shown has been adjusted to achieve comparability.

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

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10. Earnings per share (Continued)

	2016 $M	2015 $M	2014 $M
Basic earnings:			
Net income	**21.9**	16.1	29.2
Adjusted earnings:			
Accounting charges relating to acquisitions and disposals of businesses			
Unwind of discount on deferred contingent consideration from acquisitions	**0.4**	0.4	0.3
Acquisitions and disposals (Note 5)	**(0.2)**	2.0	(4.5)
Amortisation on acquired intangibles	**1.0**	1.4	0.6
IAS 19R retirement benefits finance charge	**2.1**	3.0	2.7
Profit on sale of redundant site (Note 5)	**(2.1)**	—	—
Changes to U.K defined benefit pension plan (Note 5)	**(0.6)**	(18.0)	—
Restructuring and other expense (Note 5)	**2.2**	22.4	3.9
Other share based compensation charges	**1.4**	1.3	1.6
Tax thereon	**(1.4)**	0.9	(2.9)
Adjusted net income	**24.7**	29.5	30.9
Weighted average number of £0.50 ordinary shares:			
For basic earnings per share	**26,443,662**	26,918,987	26,889,330
Exercise of share options	**270,997**	453,736	846,463
For diluted earnings per share	**26,714,659**	27,372,723	27,735,793
Earnings per share using weighted average number of ordinary shares outstanding:			
Basic			
Adjusted	**$0.93**	$1.10	$1.15
Unadjusted	**$0.83**	$0.60	$1.09
Diluted			
Adjusted	**$0.92**	$1.08	$1.11
Unadjusted	**$0.82**	$0.59	$1.05

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11. Property, plant and equipment

	Freehold $M	Long leasehold $M	Short leasehold $M	Plant and equipment $M	Total $M
Cost:					
At 1 January, 2015	56.7	6.3	8.3	318.1	**389.4**
Additions	0.9	0.4	2.2	11.8	**15.3**
Disposals	(0.1)	—	(0.1)	(2.7)	**(2.9)**
Exchange difference	(1.4)	(0.3)	(0.1)	(12.6)	**(14.4)**
At 31 December, 2015	56.1	6.4	10.3	314.6	**387.4**
Additions	1.9	0.6	0.5	13.5	**16.5**
Disposals	(3.8)	—	—	(23.0)	**(26.8)**
Transfers	3.8	(0.2)	—	(3.6)	**—**
Exchange difference	(1.6)	(0.9)	(0.3)	(25.3)	**(28.1)**
At 31 December, 2016	56.4	5.9	10.5	276.2	**349.0**
Accumulated depreciation and impairment:					
At 1 January, 2015	19.0	3.4	3.9	219.3	**245.6**
Provided during the year	1.6	0.7	0.9	13.4	**16.6**
Impairment	—	—	—	1.7	**1.7**
Disposals	(0.1)	—	—	(2.7)	**(2.8)**
Exchange difference	(0.4)	(0.2)	(0.1)	(9.0)	**(9.7)**
At 31 December, 2015	20.1	3.9	4.7	222.7	**251.4**
Provided during the year	2.0	0.3	0.8	13.6	**16.7**
Disposals	(2.8)	—	—	(22.8)	**(25.6)**
Transfers	7.9	(0.5)	0.2	(7.6)	**—**
Exchange difference	(0.6)	(0.6)	(0.2)	(20.0)	**(21.4)**
At 31 December, 2016	26.6	3.1	5.5	185.9	**221.1**
Net book values:					
At 31 December, 2016	29.8	2.8	5.0	90.3	**127.9**
At 31 December, 2015	36.0	2.5	5.6	91.9	**136.0**
At 1 January, 2015	37.7	2.9	4.4	98.8	**143.8**

As at 31 December, 2016 and 31 December, 2015, no assets were held under finance leases.

Long and short leasehold

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

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12. Intangible assets

	Goodwill $M	Customer related $M	Technology and trading related $M	Development costs $M	Software $M	Total $M
Cost:						
At 1 January, 2015	86.4	13.4	9.8	2.1	3.5	**115.2**
Additions	—	—	—	2.1	0.2	**2.3**
Exchange difference	(3.0)	—	(0.5)	(0.2)	(0.2)	**(3.9)**
At 31 December, 2015	83.4	13.4	9.3	4.0	3.5	**113.6**
Additions	0.1	0.1	—	2.4	0.1	**2.7**
Disposals	—	—	—	—	(0.6)	**(0.6)**
Exchange difference	(8.2)	—	(1.3)	(0.4)	(0.3)	**(10.2)**
At 31 December, 2016	75.3	13.5	8.0	6.0	2.7	**105.5**
Accumulated amortisation and impairment:						
At 1 January, 2015	18.5	0.4	1.4	—	1.6	**21.9**
Provided during the year	—	1.1	0.5	0.1	0.5	**2.2**
Impairment	3.7	—	—	—	—	**3.7**
Exchange difference	(1.0)	—	(0.1)	—	(0.1)	**(1.2)**
At 31 December, 2015	21.2	1.5	1.8	0.1	2.0	**26.6**
Provided during the year	—	0.7	0.4	0.3	0.3	**1.7**
Disposals	—	—	—	—	(0.3)	**(0.3)**
Exchange difference	(2.8)	(0.1)	(0.3)	0.1	—	**(3.1)**
At 31 December, 2016	18.4	2.1	1.9	0.5	2.0	**24.9**
Net book values:						
At 31 December, 2016	56.9	11.4	6.1	5.5	0.7	**80.6**
At 31 December, 2015	62.2	11.9	7.5	3.9	1.5	**87.0**
At 1 January, 2015	67.9	13.0	8.4	2.1	1.9	**93.3**

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

Development costs include $5.5 million (2015: $3.9 million) relating to internally generated intangible assets, all other intangible assets are externally generated.

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 identified CGUs (Luxfer Gas Cylinders, Superform, Magnesium Elektron and MEL Chemicals) represent the lowest level within the Group at which goodwill is monitored for internal management reporting purposes. The four CGUs are aggregated to form the Group's two defined reportable divisions: Gas Cylinders division and Elektron division. The table below summarises the carrying value of goodwill by division:

	Gas Cylinders division $M	Elektron division $M	Total $M
At 1 January, 2015	27.3	40.6	**67.9**
Impairment	(3.7)	—	**(3.7)**
Exchange difference	(1.3)	(0.7)	**(2.0)**
At 31 December, 2015	22.3	39.9	**62.2**
Additions	—	0.1	**0.1**
Exchange difference	(3.4)	(2.0)	**(5.4)**
At 31 December, 2016	18.9	38.0	**56.9**

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13. Impairment of goodwill (Continued)

The Gas Cylinders division goodwill of $18.9 million (2015: $22.3 million) included goodwill attributable to our Luxfer Gas Cylinders operations of $17.9 million (2015: $21.1 million) and goodwill attributable to our Superform operations of $1.0 million (2015: $1.2 million). The Elektron division goodwill of $38.0 million (2015: $39.9 million) included goodwill attributable to our MEL Chemicals operations of $3.9 million (2015: $4.8 million) and goodwill attributable to our Magnesium Elektron operations of $34.1 million (2015: $35.1 million).

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of each of the cash-generating units has been determined based on a value in use calculation using a discounted cash flow method. The cash flows were derived from a five-year business plan prepared at a detailed level by individual businesses within each CGU. The results of these plans were then extrapolated to give a terminal value based on a growth rate of 2.1% (2015: 2.5%). The five-year business plans were driven by detailed sales forecasts by product type and best estimate of future demand by end market, using current margins. The cash flows included allowance for capital maintenance costs, along with working capital requirements based on the projected level of sales. A pre-tax discount rate of between 10.1% and 10.7% was used for the individual CGUs (2015: 11.4% for all CGUs), which was considered a best estimate for the risk-adjusted cost of capital for the CGUs. The long-term projections assumed product prices and costs were at current levels, but the exchange rates used were: U.S. dollars: GBP sterling exchange of $1.30 and U.S. dollars: Euro exchange of €1.20.

In March 2015, as part of the review of the AF business within the Gas Cylinders division, the goodwill attributable to the manufacturing site in Utah, which was closed during the year, with a carrying value of $3.7 million was impaired in full.

Based on the current five-year business plans used in the impairment testing, it is believed no reasonable changes in the pre-tax discount and sales growth rates or forecast future cash flows are expected to result in an impairment of the carrying value of the goodwill.

14. Investments

	Shares in joint ventures* $M	Shares in associates $M	Loans to joint ventures and associates $M	Total $M
At 1 January, 2015	3.1	—	4.3	**7.4**
Debt funding	—	—	0.5	**0.5**
Additions	—	5.4	—	**5.4**
Share of results	(0.7)	(0.5)	—	**(1.2)**
Impairment	—	(4.6)	—	**(4.6)**
Exchange difference	—	(0.3)	—	**(0.3)**
At 31 December, 2015	2.4	—	4.8	**7.2**
Debt funding	—	—	(1.0)	**(1.0)**
Transfer from trade receivables	—	—	3.7	**3.7**
Share of results	0.5	—	—	**0.5**
Exchange difference	(0.2)	—	(0.2)	**(0.4)**
At 31 December, 2016	2.7	—	7.3	**10.0**

* The current year shares in joint ventures balance also includes the amounts which were disclosed as other in the prior year financial statements.

The loans to joint ventures and associates are repayable in 2018, with interest being charged on $3.8 million at 8.0% and $3.5 million incurring interest at 6.0%.

See note 35 for a full listing of Luxfer Holdings PLC's subsidiaries.

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14. Investments (Continued)

Investment in joint ventures and associates

At 31 December, 2016, the Group had the following joint ventures and associates which affect the profit of the Group. Unless otherwise stated, the Group's joint ventures and associates have share capital which consists solely of ordinary shares and are indirectly held, and the country of incorporation or registration is also their principal place of operation.

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

During 2012, the Group acquired two joint ventures in India and South Korea through its acquisition of Dynetek Industries and at the end of 2012 established a third in the U.S. The objective of these joint ventures is to promote and support the use of large composite cylinders for use by end customers in CNG and hydrogen gas transportation applications. Only the U.S. joint venture had any significant trading activity in 2014 and there was a break-even contribution to net income by Luxfer Holdings NA, LLC.

During 2015, the Group acquired 26.4% of the share capital of Sub161 Pty Limited, an associate, which is a start-up virtual pipeline operator based in Western Australia, for a cash consideration of $3.7 million and the contribution of a number of AF assets with a value of $1.7 million. The business is actively pursuing new opportunities in the Australian mining market, but given the weakness in this sector, those opportunities are likely to take time to realise. Therefore an impairment of this investment has been recognised as part of the review of AF assets following this business stream's restructuring. This write-down would be reversed on any sale or realisation of value of these assets in future years.

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

The main trading activity in 2016 was in Luxfer Holdings NA, LLC, Luxfer Uttam India Private Limited and Nikkei MEL Co. Limited.

The Group has committed up to $12.5 million of future funding to aid expansion of the U.S. joint venture in the coming years, via $2.5 million of equity into Luxfer Holdings NA, LLC and a $10.0 million secured credit line for working capital and supplier finance of which $3.8 million (2015: $4.8 million) was drawn down at 31 December, 2016.

The share of profits of all joint ventures and associates were $0.5 million and $nil, respectively (2015: losses of $0.7 million and $0.5 million, respectively), with no items recognised in other comprehensive income in 2016 or 2015.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15. Inventories

	31 December, 2016 $M	31 December, 2015 $M
Raw materials and consumables	**28.3**	32.5
Work in progress	**30.5**	30.9
Finished goods and goods for resale	**23.7**	28.4
	82.5	91.8

The provision against obsolete and excess inventories at 31 December, 2016 was $6.5 million (2015: $10.4 million). The cost of inventories recognised as an expense during the year has been disclosed in Note 3. The cost of inventories written-off during 2016 was $0.1 million (2015: $4.8 million).

16. Trade and other receivables

	31 December, 2016 $M	31 December, 2015 $M
Non-current Assets		
Derivative financial instruments	**0.3**	—
	0.3	—
Current Assets		
Trade receivables	**40.5**	43.9
Amounts owed by joint ventures and associates	**2.8**	6.2
Other receivables	**3.1**	3.7
Prepayments and accrued income	**9.4**	8.5
Derivative financial instruments	**1.8**	—
	57.6	62.3

The directors consider that the carrying value of trade and other receivables approximates to their fair value. Trade receivables are non-interest bearing and are generally on 30-90 day terms. Trade receivables above are disclosed net of any provisions for doubtful receivables.

Included within amounts owed by joint ventures and associates in 2015 was a receivable from Sub161 Pty Limited for $3.6 million, which are secured over certain assets in the business. During 2016, Sub161 Pty Limited converted the loan into a secured loan note thereby re-phasing the repayment but increasing the amount ultimately repayable.

At 31 December, 2016, trade receivables with a nominal value of $2.1 million (2015: $4.8 million) were impaired and fully provided for. Movements in the provision for impairment of trade receivables and amounts owed by joint ventures and associates were as follows:

	2016 $M	2015 $M
At 1 January	**4.8**	2.6
Charge in the year	**1.3**	2.5
Utilised in the year	**(3.6)**	—
Exchange difference	**(0.4)**	(0.3)
At 31 December	**2.1**	4.8

17. Cash and cash equivalents

	31 December, 2016 $M	31 December, 2015 $M
Cash at bank and in hand	**13.6**	36.9

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18. Share capital

(a) Ordinary share capital

Following the approval of a two-for-one share split at the Annual General Meeting on May 29, 2014, the nominal value of each ordinary share is £0.50 and now represents 1 ADS. The number of shares for the prior periods shown has been adjusted to achieve comparability.

	31 December, 2016 No.	31 December, 2015 No.	31 December, 2016 $M	31 December, 2015 $M
Authorised:				
Ordinary shares of £0.50 each	**40,000,000**	40,000,000	**35.7[(1)]**	35.7[(1)]
Deferred ordinary shares of £0.0001 each	**769,423,688,000**	769,423,688,000	**150.9[(1)]**	150.9[(1)]
	769,463,688,000	769,463,688,000	**186.6[(1)]**	186.6[(1)]
Allotted, called up and fully paid:				
Ordinary shares of £0.50 each	**27,136,799**	27,136,799	**25.3[(1)]**	25.3[(1)]
Deferred ordinary shares of £0.0001 each	**769,413,708,000**	769,413,708,000	**150.9[(1)]**	150.9[(1)]
	769,440,844,799	769,440,844,799	**176.2[(1)]**	176.2[(1)]

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

The rights of the shares are as follows:

Ordinary shares of £0.50 each

The ordinary shares carry no entitlement to an automatic dividend but rank pari passu in respect of any dividend declared and paid.

During 2016, the Group has not allotted and issued any ordinary shares of £0.50 each (2015: 40,108 ordinary shares of £0.50 each) pursuant to an ordinary resolution empowering the directors to allot equity securities for cash up to an aggregate nominal amount of £20,000,000, passed by shareholders on 26 October, 2011. The ordinary shares were allotted and issued to satisfy share awards which vested under the Group's share award and share incentive plans.

Deferred ordinary shares of £0.0001 each

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

(b) American Depositary Shares

At 31 December, 2016, there were 25,180,726 ADSs (2015: 25,704,815 ADSs) of Luxfer Holdings PLC listed on the New York Stock Exchange following an initial public offering on 3 October, 2012. The Depositary for the ADSs holds 1 £0.50 ordinary share for every ADS traded, through American Depositary Receipts.

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

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18. Share capital (Continued)

(c) Share premium account

	$M
At 1 January, 2015	**56.2**
Arising from issue of share capital	0.2
At 31 December, 2015	**56.4**
At 31 December, 2016	**56.4**

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

(d) Treasury shares

	$M
At 1 January, 2015	**—**
Purchase of own shares	(1.9)
Utilisation of treasury shares	0.6
At 31 December, 2015	**(1.3)**
Purchase of own shares	(6.3)
Utilisation of treasury shares	0.5
At 31 December, 2016	**(7.1)**

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

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

During 2015, 146,804 ordinary shares had been repurchased under the share buy-back program at a cost of $1.9 million; these repurchased shares are presented as treasury shares. At 31 December, 2015, there were 104,537 treasury shares held at a cost of $1.3 million.

(e) Own shares held by ESOP

	$M
At 1 January, 2015	**(0.4)**
Purchases of shares from ESOP	0.1
Exchange difference	0.1
At 31 December, 2015	**(0.2)**
Purchases of shares into ESOP	(1.0)
Utilisation of ESOP shares	0.7
At 31 December, 2016	**(0.5)**

At 31 December, 2016, there were 55,816 ordinary shares of £0.50 each (2015: 115,348 ordinary shares of £0.50 each) held by The Luxfer Group Employee Share Ownership Plan (the “ESOP”).

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19. Dividends paid and proposed

	2016 $M	2015 $M	2014 $M
Dividends declared and paid during the year:			
Interim dividend paid 5 February, 2014 ($0.10 per ordinary share[1])	—	—	2.7
Interim dividend paid 7 May, 2014 ($0.10 per ordinary share[1])	—	—	2.7
Interim dividend paid 6 August, 2014 ($0.10 per ordinary share)	—	—	2.7
Interim dividend paid 5 November, 2014 ($0.10 per ordinary share)	—	—	2.7
Interim dividend paid 4 February , 2015 ($0.10 per ordinary share)	—	2.7	—
Interim dividend paid 6 May, 2015 ($0.10 per ordinary share)	—	2.7	—
Interim dividend paid 5August, 2015 ($0.10 per ordinary share)	—	2.7	—
Interim dividend paid 4November, 2015 ($0.10 per ordinary share)	—	2.7	—
Interim dividend paid 3 February, 2016 ($0.10 per ordinary share)	**3.4**	—	—
Interim dividend paid 4 May, 2016 ($0.10 per ordinary share)	**3.3**	—	—
Interim dividend paid 3 August, 2016 ($0.10 per ordinary share)	**3.3**	—	—
Interim dividend paid 2 November, 2016 ($0.10 per ordinary share)	**3.3**	—	—
	13.3	10.8	10.8

	2016 $M	2015 $M	2014 $M
Dividends declared and paid after 31 December (not recognised as a liability at 31 December):			
Interim dividend paid 4 February, 2015: ($0.10 per ordinary share)	—	—	2.7
Interim dividend paid 3 February, 2016: ($0.125 per ordinary share)	—	3.4	—
Interim dividend paid 1 February, 2017: ($0.125 per ordinary share)	**3.3**	—	—
	3.3	3.4	2.7

(1) The amount paid per ordinary share has been adjusted for prior periods to achieve comparability, following the approval of a two-for-one share split at the Annual General Meeting on 29 May, 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. Reserves

	Retained earnings $M	Hedging reserve $M	Translation reserve $M	Share based compensation reserve $M	Merger reserve $M
At 1 January, 2014	**317.3**	**(0.3)**	**(25.4)**	**2.6**	**(333.8)**
Net income for the year	29.2	—	—	—	—
Currency translation differences	—	0.2	(10.8)	—	—
Increase in fair value of cash flow hedges	—	1.4	—	—	—
Transfer to consolidated income statement on cash flow hedges	—	0.1	—	—	—
Remeasurement of defined benefit retirement plans	(35.4)	—	—	—	—
Deferred income taxes on items taken to other comprehensive income	8.9	(0.5)	—	—	—
Equity dividends	(10.8)	—	—	—	—
Equity settled share based compensation charges	—	—	—	1.1	
Deferred income taxes on items taken to equity	(0.4)	—	—	—	—
At 31 December, 2014	**308.8**	**0.9**	**(36.2)**	**3.7**	**(333.8)**
Net income for the year	16.1	—	—	—	—
Currency translation differences	—	—	(8.6)	—	—
Decrease in fair value of cash flow hedges	—	(5.4)	—	—	—
Transfer to consolidated income statement on cash flow hedges	—	(0.1)	—	—	—
Remeasurement of defined benefit retirement plans	4.4	—	—	—	—
Deferred income taxes on items taken to other comprehensive income	(1.5)	1.1	—	—	—
Equity dividends	(10.8)	—	—	—	—
Equity settled share based compensation charges	—	—	—	1.4	
Cash settled	—	—	—	(0.5)	—
Deferred income taxes on items taken to equity	(0.3)	—	—	—	—
Utilisation of treasury shares	(0.1)	—	—	(0.5)	—
At 31 December, 2015	**316.6**	**(3.5)**	**(44.8)**	**4.1**	**(333.8)**
Net income for the year	21.9	—	—	—	—
Currency translation differences	—	—	(13.1)	—	—
Increase in fair value of cash flow hedges	—	1.1	—	—	—
Transfer to consolidated income statement on cash flow hedges	—	(0.9)	—	—	—
Remeasurement of defined benefit retirement plans	(21.7)	—	—	—	—
Deferred income taxes on items taken to other comprehensive income	4.3	—	—	—	—
Equity dividends	(13.3)	—	—	—	—
Equity settled share based compensation charges	—	—	—	1.2	
Utilisation of treasury shares	0.1	—	—	(0.6)	—
Utilisation of ESOP shares	0.2	—	—	(0.9)	—
At 31 December, 2016	**308.1**	**(3.3)**	**(57.9)**	**3.8**	**(333.8)**

Nature and purpose of reserves

Hedging reserve

The hedging reserve contains the effective portion of the cash flow hedge relationships entered into by the Group at the reporting date. The movement in the year to 31 December, 2016 of $0.2 million (2015: $4.4 million) includes an increase in the fair value of cash flow hedges of $1.1 million (2015: decrease of $5.4 million) and a loss of $0.9 million of cash flow hedges being transferred to the consolidated income statement (2015: loss of $0.1 million). During 2015, the movement also included an increase in deferred income taxes of $1.1 million. For further information regarding the Group's forward foreign currency exchange rate contracts, forward aluminium commodity contracts and forward interest rate agreements refer to Note 28 section (a)—Financial Instruments: Financial Instruments of the Group.

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20. Reserves (Continued)

Translation reserve

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

Share based compensation reserve

The share based compensation reserve is used to recognise the fair value of options and performance shares granted under IFRS 2. For further information refer to Note 31. The charges in 2014, 2015 and 2016 related to options over ADSs and not directly in ordinary shares.

During the year, no shares were purchased on the open market on behalf of one of the share based compensation schemes (2015: shares for the value of $0.2 million were purchased). These shares were held by the scheme, in the names of the employees who are members of the scheme until the end of the holding period.

Merger reserve

The merger reserve relates to the 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.

21. Bank and other loans

Non-current	31 December, 2016 $M	31 December, 2015 $M
Loan Notes due 2018—gross	**15.0**	65.0
Unamortised finance costs	**(0.1)**	(0.7)
Loan Notes due 2018—net	**14.9**	64.3
Loan Notes due 2021—gross	**25.0**	25.0
Unamortised finance costs	**(0.1)**	(0.1)
Loan Notes due 2021—net	**24.9**	24.9
Loan Notes due 2023—gross	**25.0**	—
Unamortised finance costs	**(0.3)**	—
Loan Notes due 2023—net	**24.7**	—
Loan Notes due 2026—gross	**25.0**	—
Unamortised finance costs	**(0.3)**	—
Loan Notes due 2026—net	**24.7**	—
Revolving credit facility—gross	**32.8**	43.5
Unamortised finance costs	**(1.0)**	(1.1)
Revolving credit facility—net	**31.8**	42.4
	121.0	131.6

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21. Bank and other loans (Continued)

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

The $25.0 million seven year private placement will be repayable in full in 2021 and bears interest at a fixed rate of 3.67%. The banking facilities mature at the end of April 2019 and bear interest equal to a margin based upon the Group's leverage plus either EURIBOR or LIBOR, depending on the currency drawn down.

On 23 December, 2016, restrictions were amended to relax the terms of the Senior Facilities Agreement, and remove permitted distributions restrictions and the debt service covenant. The Senior Facilities Agreement has an uncommitted accordion facility which provides for a mechanism for the Revolving Credit Facility to be expanded further by up to an additional $50 million (representing up to $200 million in aggregate).

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

22. Provisions

	Rationalisation and redundancy $M	Employee benefits $M	Environmental provisions $M	Total $M
At 1 January, 2015	**0.9**	**1.7**	**1.6**	**4.2**
Charged to consolidated income statement	4.7	0.3	—	**5.0**
Cash payments	(3.0)	(0.5)	(0.4)	**(3.9)**
At 31 December, 2015	**2.6**	**1.5**	**1.2**	**5.3**
Charged to consolidated income statement	1.4	—	—	**1.4**
Credited to consolidated income statement	(0.2)	(0.4)	—	**(0.6)**
Cash payments	(3.0)	—	(0.3)	**(3.3)**
Translation	—	—	(0.2)	**(0.2)**
At 31 December, 2016	**0.8**	**1.1**	**0.7**	**2.6**
At 31 December, 2016				
Included in current liabilities	0.8	—	0.7	**1.5**
Included in non-current liabilities	—	1.1	—	**1.1**
	0.8	**1.1**	**0.7**	**2.6**
At 31 December, 2015				
Included in current liabilities	2.6	—	1.2	**3.8**
Included in non-current liabilities	—	1.5	—	**1.5**
	2.6	**1.5**	**1.2**	**5.3**

Rationalisation and redundancy

At 31 December, 2016, the Group had $0.8 million of provisions relating to redundancy and the rationalisation of its operations (2015: $2.6 million). $0.5 million of this provision in 2016 relates to a rationalisation and restructuring program across the Gas Cylinders division.

Employee benefits

At 31 December, 2016, the Group had $1.1 million of employee benefit liabilities (in addition to retirement benefits), as calculated on an actuarial basis, relating to a provision for workers' compensation at the Gas Cylinders division in the U.S. (2015: $1.5 million).

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22. Provisions (Continued)

Environmental provisions

At 31 December, 2016, the Group had environmental provisions of $0.7 million relating to environmental clean-up costs (2015: $1.2 million). $0.3 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, $0.3 million relates to work required at the U.K. Elektron division site and $0.1 million relates to work required at the Elektron business in the U.S. acquired during 2014.

23. Deferred income taxes

	Accelerated tax depreciation $M	Other temporary differences $M	Tax losses $M	Retirement benefit obligations $M	Total $M
At 1 January, 2015	**(12.8)**	**6.2**	**3.1**	**20.7**	**17.2**
Credited/(charged) to consolidated income statement	1.8	(1.9)	2.0	(5.2)	**(3.3)**
(Charged)/credited to other comprehensive income	—	1.1	—	(1.5)	**(0.4)**
Charged to equity	—	(0.3)	—	—	**(0.3)**
Exchange difference	—	—	(0.4)	(0.7)	**(1.1)**
At 31 December, 2015	**(11.0)**	**5.1**	**4.7**	**13.3**	**12.1**
Credited/(charged) to consolidated income statement	0.1	(2.1)	0.9	(1.2)	**(2.3)**
Credited to other comprehensive income	—	—	—	4.3	**4.3**
Exchange difference	—	(0.2)	(0.5)	(1.7)	**(2.4)**
At 31 December, 2016	**(10.9)**	**2.8**	**5.1**	**14.7**	**11.7**

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

	31 December, 2016 $M	31 December, 2015 $M
Deferred income tax liabilities	**(4.9)**	(1.7)
Deferred income tax assets	**16.6**	13.8
Net deferred income tax assets	**11.7**	12.1

At the balance sheet date, the Group has unrecognised deferred income tax assets relating to certain trading and capital losses and other temporary differences of $12.3 million (2015: $14.2 million) potentially available for offset against future profits. No deferred income tax assets have 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 income tax assets of $12.3 million (2015: $14.2 million), $8.8 million (2015: $10.4 million) relates to losses that can be carried forward indefinitely under current legislation.

At the balance sheet date, there were unremitted earnings of overseas subsidiaries and joint ventures and associates of $54.9 million (2015: $64.1 million), for which there are no deferred income tax liabilities recognised or unrecognised (2015: $nil).

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24. Trade and other payables

	31 December, 2016 $M	31 December, 2015 $M
Non-current Liabilities		
Derivative financial instruments	**0.6**	—
	0.6	—
Current Liabilities		
Trade payables	**24.0**	34.9
Other taxation and social security	**1.3**	1.7
Accruals	**20.4**	24.6
Interest payable	**0.2**	0.2
Derivative financial instruments	**5.2**	4.1
	51.1	65.5

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

25. Acquisitions

On 29 April, 2016, the Group acquired a business, Canland UK (Hotpack) Limited ("Canland") specialising in the assembly, packing, distribution and export of self-heating meals and import and distribution of flameless ration heaters. Accordingly, Canland will become the European arm of Magtech, our existing meals and heaters business (known as "Magtech International"). On closing, an initial consideration of $0.5 million was paid, and with the acquired business having $0.2 million of cash, the net cost was $0.3m.

Based on the assessment of the assets which were acquired and liabilities assumed, customer related intangibles were recognised for $0.1 million, goodwill for $0.1 million was also recognised and $0.1 million of other net assets.

Goodwill included the fair value of the expertise of the acquired workforce following the business combination and also the synergies that are expected to arise.

Deferred consideration

The deferred consideration for Luxfer Utah is fixed and substantially all of it will be payable at March 31, 2017. The deferred consideration is shown in the balance sheet at 31 December, 2016, at $1.3 million (2015: $1.1 million), resulting in a debit to the consolidated income statement of $0.2 million (2015: $0.1 million). The balance in 2015 was net of an unwind of discount on deferred consideration of $0.2 million. The undiscounted future payment is $1.3 million.

Deferred contingent consideration

The contingent consideration for Luxfer Magtech is linked into the future profitability of the company and where appropriate will be payable annually from 2015 to 2020. The deferred contingent consideration is shown in the balance sheet at 31 December, 2016, at $1.5 million (2015: $1.8 million), following a remeasurement of deferred contingent consideration at the year-end based upon the estimated future cash flows and the weighted probability of those cash flows being achieved, resulting in a credit to the consolidated income statement of $0.5 million (2015: credit of $nil), net of an unwind of discount on deferred contingent consideration of $0.2 million (2015: $0.2 million). The potential undiscounted future payment has been estimated at $1.8 million. The maximum undiscounted amount payable under the sale agreement is $10 million.

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25. Acquisitions (Continued)

	Total $M
Net cash flows on purchase of business:	
Included in net cash flows from investing activities:	
Amounts paid	**0.5**
Cash acquired	**(0.2)**
	0.3

26. Commitments and contingencies

	31 December, 2016 $M	31 December, 2015 $M	31 December, 2014 $M
Operating lease commitments—Group as a lessee			
Minimum lease payments under operating leases recognised in the consolidated income statement	**4.8**	5.6	5.2

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:

	31 December, 2016 $M	31 December, 2015 $M	31 December, 2014 $M
Within one year	**4.6**	4.9	5.1
In two to five years	**11.8**	13.5	13.6
In over five years	**10.7**	12.4	15.3
	27.1	30.8	34.0

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, 2016, the Group had capital expenditure commitments of $3.6 million (2015: $3.1 million and 2014: $2.3 million) for the acquisition of new plant and equipment.

Contingencies

The U.S. E.P.A. and a number of chemical companies are in dispute over the technicalities of the types of chemicals required to be registered under the Toxic Substances Control Act 1976 ("TSCA"). The dispute is over the classification of chemical mixtures. We manufacture mixed oxides, the components of which are registered, but until recently we believe, along with other industry participants, there has been no apparent requirement to also register these mixtures, and therefore we are involved in this dispute. We expect the matter to be resolved without any major disruption in our supply chain or any material additional cost, but there remains a risk that the dispute escalates to more formal legal proceedings.

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

27. Financial risk management objectives and policies

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

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

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

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

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

Interest rate risk

The Group has exposure to variable interest rates when it draws down on the revolving credit facilities. As a result of this exposure, the Group may decide to hedge interest payable based on a combination of forward rate agreements, interest rate caps and swaps. It has also used fixed rate debt within its financing structure to mitigate volatility in interest rate movements as disclosed in Note 21. If the interest rates were to change by 1%, based on the balance on the revolving credit facilities at 31 December, 2016, this would impact the interest cost by approximately $0.3 million.

Total debt and debt funding to joint ventures and associates, at 31 December, 2016, all related to fixed interest rate debt and so there was no interest rate risk at that date.

Liquidity risk

To understand and monitor cash flows, the Group uses a combination of a short-term rolling six week cash forecast, based on expected daily liquidity requirements and longer term monthly rolling forecasts, covering forecast periods of between six and 18 months forward. The Group also prepares, at least annually, longer-term strategic cash forecasts. Together this system of control is used to ensure the Group can fund its ongoing operations, including working capital, capital expenditure and interest payments and to ensure that bank covenant targets will be met. Short and medium term changes in liquidity needs are funded from the Group's $150.0 million revolving bank facility, as disclosed in Note 21, which provides the ability to draw down and repay funds on a daily basis. In monitoring liquidity requirements and planning its working capital and capital expenditure programs, the Group aims to maintain a sufficiently prudent level of headroom against its banking facilities and forecast covenant position as protection against any unexpected or sudden market shocks.

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

The Group has been in compliance with the covenants under the Loan Notes due 2018, 2021, 2023 and 2026 and the banking facilities throughout all of the quarterly measurement dates from and including 30 September, 2011 to 31 December, 2016.

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

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27. Financial risk management objectives and policies (Continued)

	31 December, 2016				31 December, 2015			
	Within 12 months $M	1-5 years $M	> 5 years $M	Total $M	Within 12 months $M	1-5 years $M	> 5 years $M	Total $M
Loan Notes due 2018	**—**	**15.0**	**—**	**15.0**	—	65.0	—	65.0
Loan Notes due 2021	**—**	**25.0**	**—**	**25.0**	—	—	25.0	25.0
Loan Notes due 2023	**—**	**—**	**25.0**	**25.0**	—	—	—	—
Loan Notes due 2026	**—**	**—**	**25.0**	**25.0**	—	—	—	—
Revolving credit facility	**—**	**32.8**	**—**	**32.8**	—	43.5	—	43.5
Deferred contingent consideration	**1.3**	**1.5**	**—**	**2.8**	—	2.9	—	2.9
Trade payables	**24.0**	**—**	**—**	**24.0**	34.9	—	—	34.9
Other taxation and social security	**1.3**	**—**	**—**	**1.3**	1.7	—	—	1.7
Accruals	**20.4**	**—**	**—**	**20.4**	24.6	—	—	24.6
Interest payable	**0.2**	**—**	**—**	**0.2**	0.2	—	—	0.2
Derivative financial instruments	**5.2**	**0.6**	**—**	**5.8**	4.1	—	—	4.1
	52.4	**74.9**	**50.0**	**177.3**	65.5	111.4	25.0	201.9

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 variable rate debt have been based on a forward curve.

	31 December, 2016 $M	31 December, 2015 $M
Undiscounted contractual maturity of financial liabilities:		
Amounts payable:		
Within 12 months	**57.7**	71.6
1-5 years	**90.5**	124.3
> 5 years	**57.4**	25.7
	205.6	221.6
Less: future finance charges	**(28.3)**	(19.7)
	177.3	201.9

Capital risk management

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

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

The Group monitors its adjusted EBITDA, as reconciled in the table below, for continuing activities to net debt(1) ratio and has sought to reduce this over time from 6x to below 2x. The table below sets out the calculations for 2016, 2015 and 2014:

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27. Financial risk management objectives and policies (Continued)

	2016 $M	2015 $M	2014 $M
For continuing operations:			
Operating profit	**35.8**	37.9	40.9
Deduct:			
Profit on sale of redundant site (Note 5)	**(2.1)**	—	—
Changes to defined benefit pension plans (Note 5)	**(0.6)**	(18.0)	—
Add back:			
Restructuring and other expense (Note 5)	**2.2**	22.4	3.9
Loss on disposal of property, plant and equipment	**0.2**	—	0.3
Other share based compensation charges	**1.4**	1.3	1.6
Depreciation and amortisation	**18.4**	18.6	18.1
Adjusted EBITDA	**55.3**	62.2	64.8
Bank and other loans	**121.0**	131.6	121.4
Total debt	**121.0**	131.6	121.4
Less: Cash and cash equivalents	**(13.6)**	(36.9)	(14.6)
Net debt	**107.4**	94.7	106.8
Net debt: EBITDA ratio	**1.9x**	1.5x	1.6x

Credit risk

The Group only provides trade credit to creditworthy third parties. Credit checks are performed on new and existing customers along with monitoring payment histories of customers. Outstanding receivables from customers are closely monitored to ensure they are paid when due, with both outstanding overdue days and total days of sales outstanding reported as a business unit key performance measure. Where possible export sales are also protected through the use of credit export insurance. At 31 December, 2016, the Group has a provision for bad and doubtful debtors of $2.1 million (2015: $4.8 million) and a charge of $1.3 million (2015: $2.5 million) has been made to the consolidated income statement in relation to bad debts recognised in 2016.

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

			Past due but not impaired				
	Total $M	Neither past due nor impaired $M	< 31 days $M	31-60 days $M	61-90 days $M	91-121 days $M	> 121 days $M
At 31 December, 2016	**40.5**	**33.4**	**5.5**	**1.0**	**0.5**	**0.1**	—
At 31 December, 2015	43.9	37.1	5.3	1.1	0.3	0.1	—

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 10 customers in 2016 represented 27% (2015: 27% and 2014: 27%) of total revenue. There were no customers in 2016, 2015 or 2014 that represented over 10% of total revenue.

Foreign currency translation risk

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

The Group's results and net assets are reported by geographic region in Note 2. This analysis shows in 2016 the Group had revenue of $114.0 million derived from U.K. operations, operating profit of $12.2 million and when deducting changes to defined benefit pension plans and adding back restructuring and other expense, profit on the sale of a redundant site, share based compensation, and depreciation and amortisation, an adjusted EBITDA of $17.4 million.

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27. Financial risk management objectives and policies (Continued)

During 2016, the average exchange rate for GBP sterling was £0.7438 compared to the 2015 average of £0.6558. This resulted in a negative impact of $15.0 million on revenue, $1.6 million on operating profit and $2.3 million on adjusted EBITDA. Based on the 2016 level of sales and profits a weakening in GBP sterling leading to a £0.05 increase in the GBP sterling to U.S. dollar exchange rate would result in a decrease of $7.0 million in revenue, $0.8 million in operating profit and $1.1 million in adjusted EBITDA.

The capital employed at 31 December, 2016 in the U.K. was $72.2 million translated at an exchange rate of £0.8106. A £0.05 change in exchange rates would change capital employed by approximately $4.5 million.

During 2016, the average exchange rate for the Euro was €0.9061, compared to the 2015 average of €0.9070. This resulted in a $nil impact on revenue, operating profit and on adjusted EBITDA. Based on the 2016 level of sales and profits a weakening in the Euro leading to a €0.05 increase in the Euro to U.S. dollar exchange rate would result in a decrease of $1.2 million in revenue, $0.1 million increase in operating profit and $nil in adjusted EBITDA.

Foreign currency transaction risk

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

The U.K. operations within the Group have approximately $15.0 million net sales risk after offsetting raw material purchases made in U.S. dollars and a substantial Euro sales risk, with approximately €40.0 million of exports priced in Euros. These risks are being partly hedged through the use of forward foreign currency exchange rate contracts, but we estimate that in 2016 our Elektron division has incurred a transaction gain of $1.8 million, and the transaction impact at our Gas Cylinders division was a loss of $2.1 million.

Based on a $15.0 million net exposure to the U.S. dollar, a $0.10 increase in exchange rates would have a $1.2 million annual decrease in Group operating profit and based on a €40.0 million Euro sales risk a €0.10 increase in exchange rates would have a $3.3 million annual decrease in Group operating profit.

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 the prices of aluminium and magnesium and the Group will spend annually approximately $65 million to $85 million on these two raw materials. In recent years the costs of rare earth chemicals had 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 2016 the Group purchased approximately 11,000 metric tons of primary aluminium. The processed waste can be sold as scrap aluminium at prices linked to the LME price. The price risk on aluminium is mitigated by the use of LME derivative contracts. At 31 December, 2016, the Group had hedged 63% of its main primary aluminium requirements for 2017. Before hedging the risk, a $100 increase in the LME price of aluminium would increase our Gas Cylinders division’s costs by approximately $1.1 million.

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27. Financial risk management objectives and policies (Continued)

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 2016 the Group purchased approximately 4,500 metric tons of primary magnesium. Magnesium is not traded on the LME so we are not able to maintain a hedge position of its price exposure.

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

28. Financial instruments

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

(a) Financial instruments of the Group

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

Financial instruments:	Book value 31 December, 2016 $M	Fair value 31 December, 2016 $M	Book value 31 December, 2015 $M	Fair value 31 December, 2015 $M
Financial assets:				
Cash at bank and in hand	**13.6**	**13.6**	36.9	36.9
Financial liabilities[(1)]:				
Loan Notes due 2018	**15.0**	**15.9**	65.0	69.1
Loan Notes due 2021	**25.0**	**25.0**	25.0	25.0
Loan Notes due 2023	**25.0**	**26.3**	—	—
Loan Notes due 2026	**25.0**	**26.5**	—	—
Revolving credit facility	**32.8**	**32.8**	43.5	43.5
Deferred contingent consideration	**2.8**	**2.8**	2.9	2.9

(1) The financial instruments included in financial liabilities are shown gross of unamortised finance costs. The fair value of these financial instruments is calculated by discounting the future cash flows, including interest payments due.

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

At 31 December, 2016, the amount drawn in bank and other loans was $122.8 million (2015: $133.5 million), of which $117.0 million was denominated in U.S. dollars with the remainder being denominated in GBP sterling (2015: $117.0 million was denominated in U.S. dollars with the remainder being denominated in GBP sterling).

Derivative financial instruments are as follows:	Book value 31 December, 2016 $M	Fair value 31 December, 2016 $M	Book value 31 December, 2015 $M	Fair value 31 December, 2015 $M
Held to hedge purchases and sales by trading businesses:				
Forward foreign currency exchange rate contracts	**(3.1)**	**(3.1)**	(0.4)	(0.4)
LME derivative contracts	**(0.6)**	**(0.6)**	(3.7)	(3.7)

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28. Financial instruments (Continued)

The fair value calculations were performed on the following basis:

Cash at bank and in hand

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

Bank loans

At 31 December, 2016, bank and other loans of $122.8 million (2015: $133.5 million) were outstanding. At 31 December, 2016, bank and other loans are shown net of issue costs of $1.8 million and these issue costs are to be amortised to the expected maturity of the facilities. At 31 December, 2016, $32.8 million of the total $122.8 million of bank and other loans was variable interest rate debt and subject to floating interest rate risk, with the remainder being fixed rate debt.

Forward foreign currency exchange rate contracts

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

LME derivative contracts

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

Deferred contingent consideration

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

Fair value hierarchy

At 31 December, 2016, the Group used the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

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

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

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28. Financial instruments (Continued)

	31 December, 2016 $M	Level 1 $M	Level 2 $M	Level 3 $M
Net derivative financial assets / liabilities at fair value through profit or loss:				
Forward foreign currency exchange rate contracts	**3.0**	—	3.0	—
LME derivative contracts	**0.6**	—	0.6	—
Interest bearing loans and borrowings:				
Loan Notes due 2018	**15.9**	—	15.9	—
Loan Notes due 2021	**25.0**	—	25.0	—
Loan Notes due 2023	**26.3**	—	26.3	—
Loan Notes due 2026	**26.5**	—	26.5	—
Revolving credit facility	**32.8**	—	32.8	—
Other financial liabilities:				
Deferred contingent consideration	**2.8**	—	—	2.8

During the year ended 31 December, 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

The following table presents the changes in Level 3 instruments for the year ended 31 December 2016 and 2015.

	2016 $M	2015 $M
Balance at 1 January	**2.9**	2.6
(Gains) / losses recognised in profit or loss	**(0.1)**	0.3
Balance at 31 December	**2.8**	2.9
Total (gains) or losses for the period included in profit and loss for assets held at the end at 31 December under 'Other gains / losses'	**(0.1)**	0.3
Change in unrealised (gains) or losses for the period included in profit and loss for assets held at the end at 31 December	**(0.1)**	0.3

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

(b) Interest rate risks

Interest rate risk profile on financial assets

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

Cash by currency:	31 December, 2016 $M	31 December, 2015 $M
U.S. dollar	**1.3**	14.9
GBP sterling	**9.1**	14.1
Euro	**1.4**	2.7
Australian dollar	**0.5**	0.4
Chinese renminbi	**0.8**	1.3
Czech koruna	**0.3**	2.9
Canadian dollar	**0.2**	0.5
Japanese yen	**—**	0.1
	13.6	36.9

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28. Financial instruments (Continued)

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.

Interest rate risk profile on financial liabilities

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

	31 December, 2016				31 December, 2015			
	Within 12 months $M	1-5 years $M	> 5 years $M	Total $M	Within 12 months $M	1-5 years $M	> 5 years $M	Total $M
Floating interest rate risk:								
Revolving credit facility (including interest payments)	0.9	34.1	—	**35.0**	1.2	46.7	—	**47.9**
Fixed interest rate risk:								
Loan Notes due 2018 (including interest payments)	0.9	15.5	—	**16.4**	4.0	70.9	—	**74.9**
Loan Notes due 2021 (including interest payments)	1.0	28.7	—	**29.7**	0.9	3.7	25.7	**30.3**
Loan Notes due 2023 (including interest payments)	1.2	4.9	26.8	**32.9**	—	—	—	—
Loan Notes due 2026 (including interest payments)	1.2	5.0	30.6	**36.8**	—	—	—	—
	5.2	**88.2**	**57.4**	**150.8**	**6.1**	**121.3**	**25.7**	**153.1**

(c) Hedging activities

Forward foreign currency exchange contracts

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

At 31 December, 2016, the fair value of forward foreign currency exchange contracts deferred in equity was a loss of $3.1 million (2015: loss of $0.4 million and 2014: gain of $0.8 million). During 2016, a loss of $0.9 million (2015: loss of $0.1 million and 2014: gain of $0.1 million) has been transferred to the consolidated income statement in respect of contracts that have matured in the year.

At 31 December, 2016 and 2015, the Group held various forward foreign currency exchange contracts designated as hedges in respect of forward sales for U.S. dollars, Euros and Australian dollars for the receipt of GBP sterling or Euros. The Group also held forward foreign currency exchange contracts designated as hedges in respect of forward purchases for U.S. dollars by the sale of GBP sterling. The contract totals in GBP sterling and Euros, range of maturity dates and range of exchange rates are disclosed below:

31 December, 2016

Sales hedges	**U.S. dollars**	**Euros**	**Australian dollars**
Contract totals/£M	27.6	39.4	2.9
Maturity dates	01/17 to 11/18	01/17 to 11/18	09/17
Exchange rates	$1.2310 to $1.5638	€1.0951 to €1.4200	$1.7237

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28. Financial instruments (Continued)

Purchase hedges	U.S. dollars	Euros
Contract totals/£M	25.7	2.5
Maturity dates	01/17 to 10/18	01/17 to 06/17
Exchange rates	$1.2311 to $1.5618	€1.1121 to €1.1804

31 December, 2015

Sales hedges	U.S. dollars	Euros	Australian dollars
Contract totals/£M	22.5	27.9	2.6
Maturity dates	01/16 to 06/17	01/16 to 05/17	09/16
Exchange rates	$1.4601 to $1.6250	€1.2385 to €1.4200	$2.1292

Purchase hedges	U.S. dollars	Euros
Contract totals/£M	13.3	7.7
Maturity dates	01/16 to 06/17	01/16 to 12/16
Exchange rates	$1.4573 to $1.6231	€1.3470 to €1.4186

Aluminium commodity contracts

The Group did not hold any forward aluminium commodity contracts at 31 December, 2016 or 31 December, 2015.

Forward interest rate agreements

The Group did not hold any forward interest rate agreements at 31 December, 2016 or 31 December, 2016.

LME derivative contracts

At 31 December, 2016, the Group has hedged 5,100 and 900 metric tons of aluminium for supply in 2017 and 2018 respectively, using its ancillary banking facilities. The fair value of LME derivative contracts deferred in equity was a loss of $0.6 million (2015: loss of $3.7 million and 2014: gain of $0.5 million).

(d) Foreign currency translation risk disclosures

Exchange gains and losses arising on the translation of the Group's non-U.S. assets and liabilities are classified as equity and transferred to the Group's translation reserve. In 2016, a loss of $13.1 million (2015: loss of $8.6 million and 2014: loss of $10.8 million) was recognised in translation reserves.

(e) Un-drawn committed facilities

At 31 December, 2016, the Group had committed banking facilities of $150.0 million. The facilities were for providing loans and overdrafts, with a separate facility for letters of credit which at 31 December, 2016 was £7.0 million ($8.6 million). Of the committed facilities, $32.8 million of loans were drawn and $nil for letters of credit were utilised. The Group also has a separate bonding facility for bank guarantees denominated in GBP sterling of £3.0 million ($3.7 million), of which £1.0 million ($1.3 million) was utilised at 31 December, 2016.

At 31 December, 2015, the Group had committed banking facilities of $150.0 million. The facilities were for providing loans and overdrafts, with a separate facility for letters of credit which at 31 December, 2015 was £7.0 million ($10.3 million). Of the committed facilities, $43.5 million of loans were drawn and $nil for letters of credit were utilised. The Group also has a separate bonding facility for bank guarantees denominated in GBP sterling of £3.0 million ($4.4 million), of which £1.5 million ($2.2 million) was utilised at 31 December, 2015.

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All amounts in millions, except share and per share data

29. Retirement benefits

The Group has defined benefit pension plans in the U.K., the U.S. and France. The levels of funding are determined by periodic actuarial valuations. The assets of the plans are generally held in separate trustee-administered funds. The Group also operates defined contribution plans in the U.K., the U.S., Australia and Canada.

Remeasurements are 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 plan in the Group is the U.K. Luxfer Group Pension Plan ("the Plan"), which closed to new members in 1998, new employees then being eligible for a defined contribution plan. With effect from April 2004, the Plan changed from a final salary to a career average revalued earnings benefit scale. In August 2005, a plan specific earnings cap of £60,000 per annum subject to inflation increases was introduced, the figure had risen to £76,000 in 2015. In October 2007, the rate of the future accrual for pension was reduced and a longevity adjustment was introduced to mitigate against the risk of further unexpected increases in life expectancies. In 2015, following a consultation with the Trustees and members, it was agreed the Plan would close to future accrual of benefits effective from 5 April, 2016 and for the purpose of increasing pensions in payment, to use the Consumer Prices Index ("CPI") as the reference index in place of the Retail Prices Index ("RPI") where applicable. The remaining active members, numbering approximately 160, were transferred into a defined contribution plan. The weighted average duration of the expected benefit payments from the Plan is around 18 years. The pension cost of the Plan is assessed in accordance with the advice of an independent firm of professionally qualified actuaries, Lane Clark & Peacock LLP. The Plan is registered with HMRC for tax purposes, operates separately from the Group and is managed by an independent set of Trustees. The Plan operates under U.K. trust law and the trust is a separate legal entity from the Group. The Plan is governed by a board of Trustees, composed of two member nominated Trustees and four company appointed Trustees.

The Trustees are required by law to act in the best interests of scheme members and are responsible for setting certain policies (e.g. investment funding) together with the Company. A schedule of payments provides for deficit funding, which is based upon minimum annual contributions of £3.8 million per year, together with additional variable contributions based on 15% of net earnings of Luxfer Holdings PLC between £12.0 million and £24.0 million, and 10% of net earnings of Luxfer Holdings PLC in excess of £24.0 million.

The Group's other arrangements are less significant than the Luxfer Group Pension Plan, the largest being the BA Holdings, Inc. Pension Plan in the U.S. In December 2005, this plan was closed to further benefit accrual with members being offered contributions to that company's 401(k) plan. At 1 January, 2016, the U.S. pension plans (BA Holdings, Inc. Pension Plan and Luxfer Hourly Pension Plan) merged into one plan.

The total charge to the Group's consolidated income statement for 2016 for retirement benefits was $6.4 million (2015: credit of $9.3 million, 2014: charge of $9.3 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts in millions, except share and per share data

29. Retirement benefits (Continued)

The movement in the pension liabilities is shown below:

	2016 $M	2015 $M
Balance at 1 January	**58.9**	90.9
(Credited) / charged to the consolidated income statement:		
Past service credit	—	(14.9)
Curtailment credit	**(0.6)**	(3.3)
Current service cost	**0.4**	1.5
Net interest on net liability	**2.0**	3.0
Administrative costs	**0.9**	1.3
Total charge for defined contribution plans	**3.7**	3.1
Cash contributions	**(10.9)**	(14.5)
Charged / (credited) to the statement of comprehensive income	**21.7**	(4.4)
Exchange difference	**(9.6)**	(3.8)
Balance at 31 December	**66.5**	58.9

The financial assumptions used in the calculations were:

	Projected Unit Credit Valuation					
	U.K.			Non-U.K.		
	2016 %	2015 %	2014 %	2016 %	2015 %	2014 %
Discount rate	**2.60**	3.70	3.50	4.20	4.50	4.10
Retail Price Inflation	**3.20**	3.00	2.90	—	—	—
Inflation related assumptions:						
Salary inflation	**n/a**	4.00	3.90	—	—	—
Consumer Price Inflation	**2.20**	2.00	1.90	—	—	—
Pension increases—pre 6 April 1997	**2.00**	1.80	2.30	—	—	—
—1997 - 2005	**2.20**	2.10	2.80	—	—	—
—post 5 April 2005	**1.80**	1.70	2.00	—	—	—

Other principal actuarial assumptions:	2016 Years	2015 Years	2014 Years
Life expectancy of male in the U.K. aged 65 at accounting date	**21.5**	21.5	20.6
Life expectancy of male in the U.K. aged 65 at 20 years after accounting date	**23.2**	23.1	22.3

Investment strategies

For the principal defined benefit plan in the Group and the U.K., the Luxfer Group Pension Plan, the assets are invested in a diversified range of asset classes and include matching assets (comprising fixed interest and index linked bonds and swaps) and growth assets (comprising all other assets). The Trustees have formulated a de-risking strategy to help control the short term risks of volatility associated with holding growth assets. The Trustees also monitor the cost of a buy-in to secure pensioner liabilities with an insurance company to ensure they and the Company are able to act if such an opportunity arises. Other options to progressively reduce the scale of the liabilities are discussed between the Trustees and the Company.

Risk exposures

The Group is at risk of adverse experience relating to the defined benefit plans.

The plans hold a high proportion of assets in equity and other growth investments, with the intention of growing the value of assets relative to liabilities. The Group is at risk if the value of liabilities grows at a faster rate than the plans assets, or if there is a significant fall in the value of these assets not matched by a fall in the value of liabilities. If these events occurred, this would be expected to lead to an increase in the Group’s future cash contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts in millions, except share and per share data

29. Retirement benefits (Continued)

Special events

In 2016 annuities were purchased settling $10.0 million of liabilities of the U.S. plan with an associated settlement charge of $0.1 million. Lump sums were also paid of $4.2 million with an associated settlement credit of $0.7 million. The gross amounts settled were $14.8 million and $14.2 million during this exercise.

In 2015, following a consultation with the Trustees and members, it was agreed that the Luxfer Group Pension Plan in the U.K. would close to future accrual of benefits effective from 5 April, 2016 and for the purpose of increasing pensions in payment, to use CPI as the reference index in place of RPI where applicable. As a result, in 2015 the Group has recognised a curtailment credit of $3.3 million in respect of the closure of the Plan to future accrual and a past service credit of $14.9 million in respect of the change in expected future pension increases in payment.

The amounts recognised in the consolidated income statement in respect of the pension plans were as follows:

	2016 U.K. $M	**2016 Non-U.K. $M**	**2016 Total $M**	**2015 U.K. $M**	**2015 Non-U.K. $M**	**2015 Total $M**	**2014 U.K. $M**	**2014 Non-U.K. $M**	**2014 Total $M**
In respect of defined benefit plans:									
Current service cost	**0.3**	**0.1**	**0.4**	1.4	0.1	1.5	1.5	0.1	1.6
Net interest on net liability	**1.5**	**0.5**	**2.0**	2.5	0.5	3.0	2.5	0.2	2.7
Administrative expenses	**0.4**	**0.5**	**0.9**	1.0	0.3	1.3	1.2	0.4	1.6
Past service credit	**—**	**—**	**—**	(14.9)	—	(14.9)	—	—	—
Curtailment credit	**—**	**(0.6)**	**(0.6)**	(3.3)	—	(3.3)	—	—	—
Total charge / credit for defined benefit plans	**2.2**	**0.5**	**2.7**	(13.3)	0.9	(12.4)	5.2	0.7	5.9
In respect of defined contribution plans:									
Total charge for defined contribution plans	**1.6**	**2.1**	**3.7**	1.3	1.8	3.1	1.4	2.0	3.4
Total charge / credit for pension plans	**3.8**	**2.6**	**6.4**	(12.0)	2.7	(9.3)	6.6	2.7	9.3

Of the total charge for the year (2015: credit for the year and 2014: charge for the year), charges of $4.1 million and $0.9 million (2015: $4.6 million and $1.3 million and 2014: $4.6 million and $2.0 million); have been included in cost of sales and administrative costs, respectively; a credit of $0.6 million (2015: $18.0 million and 2014: $nil) has been recognised as changes to defined benefit pension plans in the consolidated income statement and a charge of $2.0 million (2015: $3.0 million and 2014: $2.7 million) has been included in finance costs.

For the year, the amount of loss recognised in the Statement of Comprehensive Income is $21.7 million (2015: gain of $4.4 million and 2014: loss of $35.4 million).

The actual return of the plans assets was a gain of $56.4 million (2015: loss of $0.6 million and 2014: gain of $32.5 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts in millions, except share and per share data

29. Retirement benefits (Continued)

The value of the plans assets were:

	2016 U.K. $M	2016 Non-U.K. $M	2016 Total $M	2015 U.K. $M	2015 Non-U.K. $M	2015 Total $M
Assets in active markets:						
Equities and growth funds	**171.6**	**20.6**	**192.2**	179.5	27.3	206.8
Government bonds	**44.3**	—	**44.3**	40.2	—	40.2
Corporate bonds	**64.5**	**16.0**	**80.5**	67.0	22.1	89.1
Cash	**(0.1)**	—	**(0.1)**	0.4	—	0.4
Total market value of assets	**280.3**	**36.6**	**316.9**	287.1	49.4	336.5
Present value of plan liabilities	**(334.8)**	**(48.6)**	**(383.4)**	(334.4)	(61.0)	(395.4)
Deficit in the plans	**(54.5)**	**(12.0)**	**(66.5)**	(47.3)	(11.6)	(58.9)
Related deferred income tax assets	**10.2**	**4.4**	**14.6**	9.0	4.3	13.3
Net pension liabilities	**(44.3)**	**(7.6)**	**(51.9)**	(38.3)	(7.3)	(45.6)

The plans do not invest directly in property occupied by the Group or in financial securities issued by the Group.

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

	2016 U.K. $M	2016 Non-U.K. $M	2016 Total $M	2015 U.K. $M	2015 Non-U.K. $M	2015 Total $M
At 1 January	**334.4**	**61.0**	**395.4**	382.3	64.4	446.7
Service cost	**0.3**	**0.1**	**0.4**	1.5	0.1	1.6
Interest on obligation	**10.9**	**2.6**	**13.5**	12.8	2.6	15.4
Contributions from plan members	**0.1**	—	**0.1**	0.7	—	0.7
Actuarial losses / (gains) on financial assumptions	**67.5**	**2.6**	**70.1**	(11.1)	(3.1)	(14.2)
Actuarial losses on demographic assumptions	—	—	—	4.6	—	4.6
Actuarial gains on plan experience	**(3.3)**	**(0.2)**	**(3.5)**	(7.8)	(0.1)	(7.9)
Exchange difference	**(59.3)**	**(0.1)**	**(59.4)**	(16.8)	(0.1)	(16.9)
Benefits paid	**(15.8)**	**(2.6)**	**(18.4)**	(13.6)	(2.8)	(16.4)
Past service credit	—	—	—	(14.9)	—	(14.9)
Curtailment credit	—	**(14.8)**	**(14.8)**	(3.3)	—	(3.3)
At 31 December	**334.8**	**48.6**	**383.4**	334.4	61.0	395.4

The defined benefit obligation comprises $2.6 million (2015: $2.4 million) arising from unfunded plans and $380.8 million (2015: $390.6 million) from plans that are funded.

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

Assumption	Change in assumption	Impact on total defined benefit obligations
Discount rate	Increase/decrease by 1.0%	Decrease/increase by 19%
CPI inflation (and related increases)	Increase/decrease by 1.0%	Increase/decrease by 9%
Post retirement mortality	Increase by 1 year	Increase by 3%

The sensitivities have been calculated to show the movement in the total defined benefit obligation in isolation, assuming no other changes in market conditions at the accounting date. In practice, for example, a change in discount rate is likely to be associated with a movement in the value of the invested assets held by the plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
All amounts in millions, except share and per share data

29. Retirement benefits (Continued)

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

	2016 U.K. $M	2016 Non-U.K. $M	2016 Total $M	2015 U.K. $M	2015 Non-U.K. $M	2015 Total $M
At 1 January	**287.1**	**49.4**	**336.5**	305.4	50.4	355.8
Interest on plan assets	**9.4**	**2.1**	**11.5**	10.4	2.1	12.5
Actuarial losses / (gains)	**43.7**	**1.2**	**44.9**	(10.6)	(2.5)	(13.1)
Exchange difference	**(49.8)**	—	**(49.8)**	(13.1)	—	(13.1)
Contributions from employer	**6.0**	**1.2**	**7.2**	8.9	2.5	11.4
Contributions from plan members	**0.1**	—	**0.1**	0.7	—	0.7
Administrative expenses	**(0.4)**	**(0.5)**	**(0.9)**	(1.0)	(0.3)	(1.3)
Benefits paid	**(15.8)**	**(2.6)**	**(18.4)**	(13.6)	(2.8)	(16.4)
Settlement credit	**—**	**(14.2)**	**(14.2)**			
At 31 December	**280.3**	**36.6**	**316.9**	287.1	49.4	336.5

The estimated amount of employer contributions expected to be paid to the defined benefit pension plans for the year ending 31 December, 2017 is $7.4 million (2016: $7.2 million actual employer contributions).

30. The Luxfer Group Employee Share Ownership Plan

The trust

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

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

The current plan

The current share option plan, implemented by the Group in February 2007 is The Luxfer Holdings Executive Share Option Plan ("the Plan"), which consists of two parts. Part A of the Plan is approved by HM Revenue & Customs and Part B is unapproved. Options can be exercised at any time up to the tenth anniversary of their grant subject to the rules of the relevant part of the Plan. As a result of the I.P.O. all leaver restrictions over the shares were released. There 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
All amounts in millions, except share and per share data

30. The Luxfer Group Employee Share Ownership Plan (Continued)

	Number of shares held by ESOP Trustees		Number of options held over £0.50 ordinary shares			
	£0.0001 deferred shares	£0.50 ordinary shares	£0.49 options held	£1.50 options held	£2.00 options held	Total options held
At 1 January, 2016	15,977,968,688	115,348	—	—	59,020	59,020
Shares utilised during the year	—	(59,532)	—	—	—	—
Options exercised during the year	—	—	—	—	(59,020)	(59,020)
At 31 December, 2016	15,977,968,688	55,816	—	—	—	—

At 31 December, 2016, the loan outstanding from the ESOP was $2.6 million (2015: $3.1 million).

The market value of each £0.50 ordinary share held by the ESOP at 31 December, 2016 was $10.89 (2015: $9.84).

31. Share based compensation

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

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

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

Share option and restricted stock awards

As a tool to retain key people and align their interests with those of shareholders, a one-off award of market-value options was made to a small number of executives and the non-executive directors immediately prior to the I.P.O. in 2012. 40% of the options granted vested immediately and 20% of the options vest upon each of the first, second and third anniversaries of the I.P.O.

In January 2013, 306,200 Restricted Stock Units and Options over ADSs, were granted under the LTiP and 9,252 ADS Restricted Stock was granted under the Director EIP. In March 2013, 1,924 ADS Restricted Stock was granted under the Director EIP. These awards were a mixture of time-based, market-based and performance-based awards.

In March 2014, 201,870 Restricted Stock Units and Options over ADSs were granted under the LTiP, which were all performance-based awards. Following the Annual General Meeting on May 29, 2014, 12,517 Restricted Stock Units and Options over ADSs were granted under the Director EIP, which were all time-based awards.

In June 2015, 46,800 Restricted Stock Units and Options over ADSs were granted under the LTiP, which were all time-based awards. Following the Annual General Meeting on May 28, 2015, 15,943 Restricted Stock Units and Options over ADSs were granted under the Director EIP, which were all time-based awards.

In March 2016, 95,140 Restricted Stock Units and Options over ADSs were granted under the LTiP, which were all time-based awards. Following the Annual General Meeting on 24 May, 2016, 12,520 Restricted Stock Units and Options over ADSs were granted under the Director EIP, which were all time-based awards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
All amounts in millions, except share and per share data

31. Share based compensation (Continued)

	2016 $M	2015 $M	2014 $M
I.P.O. related share based compensation charges	—	0.1	0.2
Other share based compensation charges	**1.4**	1.3	1.6
	1.4	1.4	1.8

There were no cancellations or modifications to the awards in 2016 or 2015.

The following table illustrates the number of, and movements in, share options during the year, with each option relating to 1 ADS:

	2016 Number	2016 Weighted average exercise price	2015 Number	2015 Weighted average exercise price
At 1 January	1,144,534	$7.26	1,178,158	$7.13
Granted during the year	107,660	$0.67	62,743	$0.76
Exercised during the year	(132,599)	$0.67	(38,377)	$(0.76)
Accrued dividend awards	12,572	$0.67	9,393	$0.76
Lapsed during the year	(168,378)	$0.67	(67,383)	$(0.76)
At 31 December	**963,789**	**$8.51**	**1,144,534**	**$7.26**

The weighted average remaining contractual life for the share options outstanding at 31 December, 2016 was 3 years (2015: 4 years). The weighted average fair value of options granted during the year was $9.39 (2015: $11.42).

The following table illustrates the assumptions used in deriving the fair value of share options during the year:

	2016	2015
Dividend yield (%)	**4.00**	4.00
Expected volatility range (%)	**29.73 – 38.73**	28.24 – 41.39
Risk-free interest rate (%)	**0.36 – 1.05**	0.09 – 1.40
Expected life of share options range (years)	**1 – 3.5**	1 – 5
Weighted average exercise price ($)	**$0.67**	$0.76
Model used	**Black-Scholes**	Black-Scholes

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

Employee share incentive plans

The Group operates an all-employee share incentive plan in its U.K. and U.S. operations and will look to implement plans in other geographic regions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
All amounts in millions, except share and per share data

32. Related party transactions

Joint venture in which the Group is a venturer

During 2016, the Group maintained its 51% investment in the equity of the joint venture Luxfer Uttam India Private Limited. During 2016, the Gas Cylinders division made $1.7 million (2015: $0.8 million) of sales to the joint venture. At 31 December, 2016, the amounts receivable from the joint venture amounted to $0.9 million (2015: $1.7 million). All sales to the joint venture are made on similar terms to arm's length transactions.

During 2016, the Group also maintained its 50% investment in the equity of the joint venture, Nikkei-MEL Company Limited. During 2016, the Elektron division made $0.8 million of sales to the joint venture.

During 2016, the Group received $1.0 million in repayment (2015: provided $0.5 million in debt investment) to the joint venture Luxfer Holdings NA, LLC, of which it holds 49% of the equity. The debt investment is provided through a secured revolving credit facility that the Group has granted to the joint venture of which up to $10.0 million can be drawn down until March 31, 2018 at an interest rate of 8% per annum. During 2016, the Gas Cylinders division made $3.9 million (2015: $1.5 million) of sales to the joint venture. At 31 December, 2016, the amounts receivable from the joint venture amounted to $1.0 million (2015: $0.8 million) of trade debt and $3.8 million (2015: $4.8 million) of debt investment. All sales to the joint venture are made on similar terms to arm's length transactions.

Associates in which the Group holds an interest

During 2015, the Group acquired 26.4% of the share capital of Sub161 Pty Limited. Following the investment, in 2016 the Group has made sales of $0.1 million (2015: $0.1 million) to the associate. At 31 December, 2016, the amounts receivable from the associate denominated in Australian dollars was $0.1 million (2015: $3.6 million, net of a provision of $3.8 million). The debtor recognised in the prior year has been converted into a secured loan note during 2016. The secured loan note has interest accruing at 6.0%, of which $0.1 million was outstanding at the year end.

Transactions with other related parties

At 31 December, 2016, the directors and key management comprising the members of the Executive Management Board, owned 1,062,672 £0.50 ordinary shares (2015: 1,089,949 £0.50 ordinary shares) and held awards over a further 476,839 £0.50 ordinary shares (2015: 685,503 £0.50 ordinary shares).

During the year ended 31 December, 2016, share options held by members of the Executive Management Board were exercised; information relating to these exercises is disclosed in the Remuneration Report.

Stone Canyon Industries LLC represents a related party due to their association with Adam Cohn as co-CEO, and holds 570,000 ADSs in Luxfer Holdings PLC as at 31 December, 2016.

On 5 February, 2014, as a part of a relocation, one of the subsidiary companies of the Group purchased outright the residential property of David Rix, a member of our Executive Management Board. The property was valued on an arm's length basis by third parties with a purchase price of $1.2 million. This asset was held as a current asset in the Group balance sheet. On 3 July, 2015, the property was sold for proceeds of $1.2 million.

The son of the Chief Executive Officer was employed by the Group during the year, having joined through the normal recruitment channels.

Other than the transactions with the joint ventures and associates disclosed above and key management personnel disclosed above, no other related party transactions have been identified.

COMPANY BALANCE SHEET

All amounts in millions

	Note	31 December, 2016 £M	31 December, 2015 £M
ASSETS			
Non-current assets			
Investments	35	**315.6**	305.1
Deferred income taxes	36	**10.3**	8.0
		325.9	313.1
Current assets			
Trade and other receivables	37	**3.8**	5.3
Cash and cash equivalents	38	**1.4**	1.1
		5.2	6.4
TOTAL ASSETS		**331.1**	319.5
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	39	**13.5**	13.5
Deferred share capital	39	**76.9**	76.9
Share premium account	39	**35.3**	35.3
Treasury shares	39	**(5.0)**	(0.9)
Retained earnings		**115.3**	118.6
Own shares held by ESOP	39	**(0.4)**	(0.2)
Share based compensation reserve	39	**2.4**	2.9
Capital and reserves attributable to the Company's equity shareholders		**238.0**	246.1
Total equity		**238.0**	246.1
Non-current liabilities			
Bank and other loans	40	**46.0**	39.2
Retirement benefits	44	**43.6**	31.6
		89.6	70.8
Current liabilities			
Trade and other payables	41	**3.5**	2.6
Total liabilities		**93.1**	73.4
TOTAL EQUITY AND LIABILITIES		**331.1**	319.5

The Group has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to present Luxfer Holding PLC's Company income statement. Net income for the year was $18.2 million.

SIGNED ON BEHALF OF THE BOARD

Brian Purves **Andrew Beaden**

March 14, 2017

Company Registration no. 03690830

COMPANY CASH FLOW STATEMENT

All amounts in millions

	Note	2016 £M	2015 £M
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		**18.2**	16.2
Adjustments to reconcile net income for the year to net cash flows from operating activities:			
Deferred income taxes		**0.6**	2.9
Share based compensation charges net of cash settlement		**0.1**	0.5
Net interest gained		**(3.3)**	(2.2)
Dividends received		**(8.2)**	—
Exchange difference credited to income statement		**(3.0)**	(0.8)
Changes in operating assets and liabilities:			
Decrease in receivables		**1.6**	—
Increase in payables		**0.4**	0.1
Movement in retirement benefits obligations		**(4.1)**	(16.7)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**2.3**	—
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		**8.2**	—
Intercompany loans: debt funding		**0.8**	0.7
Intercompany loans: interest received		**5.3**	4.8
NET CASH FLOWS FROM INVESTING ACTIVITIES		**14.3**	5.5
NET CASH FLOWS BEFORE FINANCING		**16.6**	5.5
FINANCING ACTIVITIES			
Interest and similar finance costs paid on banking facilities		**(0.6)**	(0.5)
Interest paid on Loan Notes		**(0.7)**	(0.6)
Dividends paid		**(9.8)**	(7.0)
Proceeds from issues of shares	39	**—**	0.1
Purchase of treasury shares	39	**(4.4)**	(1.3)
ESOP cash movements		**(0.8)**	—
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(16.3)**	(9.3)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**0.3**	(3.8)
Cash and cash equivalents at 1 January	38	**1.1**	4.9
Cash and cash equivalents at 31 December	38	**1.4**	1.1

COMPANY STATEMENT OF CHANGES IN EQUITY

All amounts in millions

		Equity attributable to the equity shareholders of the parent							
	Note	Ordinary share capital £M	Deferred share capital £M	Share premium account £M	Treasury shares £M	Retained earnings £M	Own shares held by ESOP £M	Share based compensation reserve £M	Total equity £M
At 1 January, 2015		**13.5**	**76.9**	**35.2**	**—**	**108.0**	**(0.2)**	**2.4**	**235.8**
Net income for the year		—	—	—	—	16.2	—	—	16.2
Remeasurement of defined benefit retirement plan		—	—	—	—	2.3	—	—	2.3
Deferred income taxes on items taken to other comprehensive income		—	—	—	—	(0.7)	—	—	(0.7)
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**17.8**	**—**	**—**	**17.8**
Equity dividends		—	—	—	—	(7.0)	—	—	(7.0)
Equity settled share based compensation charges	39	—	—	—	—	—	—	0.8	0.8
Arising from issue of share capital	39	—	—	0.1	—	—	—	—	0.1
Deferred tax on items taken to equity		—	—	—	—	(0.1)	—	—	(0.1)
Purchase of own shares	39	—	—	—	(1.3)	—	—	—	(1.3)
Utilisation of treasury shares	39	—	—	—	0.4	(0.1)	—	(0.3)	—
Other changes in equity in the year		**—**	**—**	**0.1**	**(0.9)**	**(7.2)**	**—**	**0.5**	**(7.5)**
At 31 December, 2015		**13.5**	**76.9**	**35.3**	**(0.9)**	**118.6**	**(0.2)**	**2.9**	**246.1**
Net income for the year		**—**	**—**	**—**	**—**	**18.2**	**—**	**—**	**18.2**
Remeasurement of defined benefit retirement plan		**—**	**—**	**—**	**—**	**(15.0)**	**—**	**—**	**(15.0)**
Deferred income taxes on items taken to other comprehensive income		**—**	**—**	**—**	**—**	**2.9**	**—**	**—**	**2.9**
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**6.1**	**—**	**—**	**6.1**
Equity dividends		**—**	**—**	**—**	**—**	**(9.8)**	**—**	**—**	**(9.8)**
Equity settled share based compensation charges	39	**—**	**—**	**—**	**—**	**—**	**—**	**0.8**	**0.8**
Purchase of own shares	39	**—**	**—**	**—**	**(4.4)**	**—**	**—**	**—**	**(4.4)**
Purchases of shares from ESOP	39	**—**	**—**	**—**	**—**	**—**	**(0.8)**	**—**	**(0.8)**
Utilisation of treasury shares	39	**—**	**—**	**—**	**0.3**	**0.2**	**—**	**(0.5)**	**—**
Utilisation of ESOP shares	39	**—**	**—**	**—**	**—**	**0.2**	**0.6**	**(0.8)**	**—**
Other changes in equity in the year		**—**	**—**	**—**	**(4.1)**	**(9.4)**	**(0.2)**	**(0.5)**	**(14.2)**
At 31 December, 2016		**13.5**	**76.9**	**35.3**	**(5.0)**	**115.3**	**(0.4)**	**2.4**	**238.0**

NOTES TO THE COMPANY FINANCIAL STATEMENTS
All amounts in millions

33. Significant accounting policies

Authorisation of financial statements

The Company financial statements for the year ended 31 December, 2016 were authorised for issue by the Board of Directors on March 14, 2017 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 Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and interpretations issued by the IFRS Interpretation Committee, and as such comply with Article 4 of the EU IAS regulation.

The accounting policies set out in this note to the financial statements have been applied in preparing these financial statements and comparative information.

The Company financial statements have been prepared on a historical cost basis, except where IFRS requires or permits fair value measurement.

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

Investments

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

Loans to subsidiary undertakings and joint ventures are initially recorded at fair value; they are then subsequently carried at amortised cost. The loans are interest bearing.

The Company grants share-based payments to the employees of subsidiary companies. Each period the fair value of the employee services received by the subsidiary as a capital contribution from the Company is reflected as an addition to investments.

Functional and presentational currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"), which is GBP sterling. The presentational currency of the Company is GBP sterling.

Other accounting policies

As applicable, the accounting policies of the Company follow those of the Group set out in Note 1 to the consolidated financial statements. The critical accounting judgments and key sources of estimation uncertainty applicable for the Company financial statements are impairment of non-financial assets, pensions and deferred income taxes.

34. Directors' interests

Disclosure of individual directors' remuneration, share interests, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 are shown on pages 40 to 54 and form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
All amounts in millions

35. Investments

	Investments in subsidiary undertakings £M	Loans to subsidiary undertakings £M	Capital contributions £M	Loans to joint ventures £M	Total £M
Cost and net book value:					
At 1 January, 2015	218.0	79.4	1.3	2.7	301.4
Additions	—	—	0.4	0.3	0.7
Exchange difference	—	2.8	—	0.2	3.0
At 31 December, 2015	218.0	82.2	1.7	3.2	305.1
Additions	—	—	0.7	—	0.7
Repayments	—	—	—	(0.8)	(0.8)
Exchange difference	—	10.0	—	0.6	10.6
At 31 December, 2016	**218.0**	**92.2**	**2.4**	**3.0**	**315.6**

Details of the investments in which the Group or the Company holds share capital at 31 December, 2016, are as follows:

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
BA Holdings, Inc.*	U.S. [3]	Common stock	100%	Holding company
Biggleswick Limited *	England and Wales[2]	Ordinary shares	100%	Non trading
Luxfer Group Services Limited *	England and Wales[2]	Ordinary shares	100%	Property Services
LGL 1996 Limited *	England and Wales[2]	Ordinary shares / Preference shares	100%	Dormant
BAL 1996 Limited *	England and Wales[2]	Ordinary shares	100%	Dormant
Hart Metals, Inc. *	U.S.[5]	Common stock	100%	Manufacturing
Lumina Trustee Limited [1] *	England and Wales[2]	Ordinary shares	100%	Trustee company
Luxfer Australia Pty Limited *	Australia[6]	Ordinary shares	100%	Distribution
Luxfer Gas Cylinders Limited *	England and Wales[2]	Ordinary shares	100%	Engineering
Luxfer Gas Cylinders China Holdings Limited *	England and Wales[2]	Ordinary shares	100%	Holding company
Luxfer Gas Cylinders (Shanghai) Co., Limited *	Republic of China[7]	Ordinary shares	100%	Manufacturing
Luxfer Group Limited	England and Wales[2]	Ordinary shares	100%	Holding company
Luxfer Group 2000 Limited	England and Wales[2]	Ordinary shares	100%	Holding company
Luxfer, Inc.*	U.S. [3]	Common stock	100%	Engineering
Luxfer Overseas Holdings Limited *	England and Wales[2]	Ordinary shares	100%	Holding company
Magnesium Elektron Limited *	England and Wales[2]	Ordinary shares	100%	Manufacturing
MEL Chemicals, Inc.*	U.S.[8]	Common stock / Preference shares	100%	Manufacturing
Magnesium Elektron North America, Inc. *	U.S.[5]	Common stock	100%	Manufacturing
Magnesium Elektron CZ s.r.o. *	Czech Republic[13]	Basic capital	100%	Manufacturing
MEL Chemicals China Limited *	England and Wales[2]	Ordinary shares	100%	Dormant
Niagara Metallurgical Products Limited *	Canada[9]	Common stock	100%	Manufacturing
Reade Manufacturing, Inc.*	U.S.[5]	Common stock	100%	Manufacturing
Luxfer Gas Cylinders S.A.S. *	France[4]	Ordinary shares	100%	Engineering
Luxfer Canada Limited *	Canada[10]	Common stock	100%	Engineering
Luxfer Germany GmbH *	Germany[11]	Ordinary shares	100%	Engineering
Luxfer Utah LLC *	U.S.[12]	Common stock	100%	Manufacturing
HyPerComp Engineering Inc.*	U.S.[12]	Common stock	100%	Engineering
Luxfer Magtech Inc.*	U.S.[5]	Common stock	100%	Manufacturing
Luxfer Magtech International Limited *	England and Wales[2]	Common stock	100%	Manufacturing

NOTES TO THE COMPANY FINANCIAL STATEMENTS
All amounts in millions

35. Investments (Continued)

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Other Investments				
Nikkei-MEL Co Limited *	Japan	Ordinary shares	50%	Distribution
Luxfer Uttam India Private Limited *	India	Ordinary shares	51%	Engineering
Dynetek Cylinders India Private Limited	India	Ordinary shares	49%	Engineering
Dynetek Korea Co Limited *	South Korea	Ordinary shares	49%	Engineering
Luxfer Holdings NA, LLC *	U.S.	N/A	49%	Engineering
Sub161 Pty Limited *	Australia	Ordinary shares	26.4%	Engineering

Subsidiary undertakings are all held directly by the Company unless indicated.
[*] Held by a subsidiary undertaking.
[1] Acts as bare trustee in connection with the 2007 share capital reorganisation.
[2] Registered address: Anchorage Gateway, 5 Anchorage Quay, Salford, M50 3XE, England.
[3] Registered address: 1679 S. Dupont Hwy, Ste 100, Dover, DE 199091, U.S.
[4] Registered address: 7 Rue de l'Industrie, 63360 Gerzat, France.
[5] Registered address: The Corporation Trust Company, Corporate Trust Center, 1209 Orange Street, Wilmington, DE 19801, U.S.
[6] Registered address: Unit 4, 171-175 Newton Road, Wetherill Park, NSW 2164, Australia.
[7] Registered address: No. 123, Lane 150, Pingbei Road, Minghang District, Shanghai, PRC 201109, China.
[8] Registered address: c/o CT Corporation, 830 Bear Tavern Road, Trenton, NJ 08628, U.S.
[9] Registered address: David Toswell of Blake, Cassels & Graydon LLP, 1114 Harvest Drive, Pickering, ON, L1X 1B6, Canada.
[10] Registered address: (Torys) 525-8th Avenue S.W, 46th Floor, Eighth Avenue Place East, Calgary, Alberta, T2P 1G1, Canada.
[11] Registered address: Am Alten Stadtpark 37, 44791 Bochum, Germany.
[12] Registered address: 1080 N. Main Street, Suite 2 Brigham City, UT 84302, U.S.
[13] Registered address: Nádražní 214, 435 33 Louka u Litvínova, Czech Republic.

36. Deferred income taxes

	Tax losses and other timing differences £M	Retirement benefit obligations £M	Total £M
At 1 January, 2015	1.9	9.8	**11.7**
Credited/(charged) to income statement	0.2	(3.1)	**(2.9)**
Charged to other comprehensive income	—	(0.7)	**(0.7)**
Charged to equity	(0.1)	—	**(0.1)**
At 31 December, 2015	2.0	6.0	**8.0**
Credited/(charged) to income statement	0.1	(0.7)	**(0.6)**
Credited to other comprehensive income	—	2.9	**2.9**
At 31 December, 2016	**2.1**	**8.2**	**10.3**

At the balance sheet date, the Company has unrecognised deferred income tax assets relating to certain trading and capital losses of £7.6 million (2015: £16.2 million) potentially available for offset against future profits. A deferred tax asset of £2.1 million (2015: £2.0 million) has been recognised in relation to timing differences and losses, to the extent that it is deemed probable that sufficient taxable profit will be available against which the losses may be utilised.

37. Trade and other receivables

	31 December, 2016 £M	31 December, 2015 £M
Amounts owed by Group undertakings	**3.8**	**5.3**

The amounts owed by Group undertakings are unsecured, repayable on demand and no interest is charged.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
All amounts in millions

38. Cash and cash equivalents

	31 December, 2016 £M	31 December, 2015 £M
Cash at bank and in hand	**1.4**	1.1

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The directors consider that the carrying value of cash and cash equivalents approximates to their fair value.

39. Share capital and Reserves

(a) Ordinary share capital

Following the approval of a two-for-one share split at the Annual General Meeting on May 29, 2014, the nominal value of each ordinary share is £0.50 and now represents 1 ADS. The number of shares for the prior periods shown has been adjusted to achieve comparability.

	31 December, 2016 No.	31 December, 2015 No.	31 December, 2016 £M	31 December, 2015 £M
Authorised:				
Ordinary shares of £0.50 each	**40,000,000**	40,000,000	**20.0**	20.0
Deferred ordinary shares of £0.0001 each	**769,423,688,000**	769,423,688,000	**76.9**	76.9
	769,463,688,000	769,463,688,000	**96.9**	96.9
Allotted, called up and fully paid:				
Ordinary shares of £0.50 each	**27,136,799**	27,136,799	**13.5**	13.5
Deferred ordinary shares of £0.0001 each	**769,413,708,000**	769,413,708,000	**76.9**	76.9
	769,440,844,799	769,440,844,799	**90.4**	90.4

The rights of the shares are as follows:

Ordinary shares of £0.50 each

The ordinary shares carry no entitlement to an automatic dividend but rank pari passu in respect of any dividend declared and paid.

During 2016, the Company has not allotted or issued any ordinary shares (2015: 40,108 ordinary shares of £0.50 each). During 2015, 40,108 ordinary shares of £0.50 each were pursuant to an ordinary resolution empowering the directors to allot equity securities for cash up to an aggregate nominal amount of £20,000,000, passed by shareholders on 26 October, 2011. The ordinary shares were allotted and issued to satisfy share awards which vested under the Group's share award and share incentive plans in 2015.

Deferred ordinary shares of £0.0001 each

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS
All amounts in millions

39. Share capital and Reserves (Continued)

(b) American Depositary Shares

At 31 December, 2016, there were 25,180,726 ADSs (2015: 25,704,815 ADSs) of Luxfer Holdings PLC listed on the New York Stock Exchange following an initial public offering on 3 October, 2012. The Depositary for the ADSs holds 1 £0.50 ordinary share for every ADS traded, through American Depositary Receipts.

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

(c) Share premium account

	£M
At 1 January, 2015	35.2
Arising from issue of share capital	0.1
At 31 December, 2015	35.3
At 31 December, 2016	**35.3**

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

(d) Treasury shares

	£M
At 1 January, 2015	—
Purchase of own shares	(1.3)
Utilisation of treasury shares	0.4
At 31 December, 2015	(0.9)
Purchase of own shares	(4.4)
Utilisation of treasury shares	0.3
At 31 December, 2016	**(5.0)**

In June 2015, the Board announced a share buy-back program of up to $10.0 million, to cover the needs of employee share plans. Shareholder approval for this program was granted at the 2014 Annual General Meeting (for repurchases up to an aggregate amount of 2,700,000 ordinary shares or ADSs).

During 2016, 634,185 ordinary shares (2015: 146,804 ordinary shares) had been repurchased under the share buy-back program at a cost of £4.4 million (2015: £1.3 million); these repurchased shares are presented as treasury shares. At 31 December, 2016 there were 665,424 treasury shares held at a cost of £5.0 million (2015: 104,537 treasury shares held at a cost of £0.9 million).

(e) Own shares held by ESOP

	£M
At 1 January, 2015	(0.2)
Purchases of shares from ESOP	—
At 31 December, 2015	(0.2)
Purchases of shares into ESOP	(0.8)
Utilisation of ESOP shares	0.6
At 31 December, 2016	**(0.4)**

NOTES TO THE COMPANY FINANCIAL STATEMENTS
All amounts in millions

39. Share capital and Reserves (Continued)

At 31 December, 2016, there were 55,816 ordinary shares of £0.50 each (2015: 115,348 ordinary shares of £0.50 each) held by The Luxfer Group Employee Share Ownership Plan.

(f) Share based compensation reserve

	£M
At 1 January, 2015	2.4
Equity settled share based compensation charges	1.0
Cash settled	(0.2)
Utilisation of treasury shares	(0.3)
At 31 December, 2015	2.9
Equity settled share based compensation charges	0.8
Cash settled	—
Utilisation of treasury shares	(0.5)
Utilisation of ESOP shares	(0.8)
At 31 December, 2016	**2.4**

The share based compensation reserve is used to recognise the fair value of options and performance shares granted under IFRS 2. For further information refer to Notes 18 and 31 in the consolidated financial statements.

40. Bank and other loans

Non-current	31 December, 2016 £M	31 December, 2015 £M
Loan Notes due 2021 - gross	20.3	17.0
Unamortised finance costs	(0.1)	(0.1)
Loan Notes due 2021 - net	**20.2**	16.9
Revolving credit facility - gross	26.6	23.0
Unamortised finance costs	(0.8)	(0.7)
Revolving credit facility - net	**25.8**	22.3
	46.0	39.2

The seven-year private placement will be repayable in full in 2021, bears interest at 3.67% and is unsecured. At 31 December, 2016, the total amount outstanding on the Loan Notes due 2021 was £20.3 million, which is shown in bank and other loans net of unamortised finance costs of £0.1 million.

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

41. Trade and other payables

	31 December, 2016 £M	31 December, 2015 £M
Amounts owed to Group undertakings	**3.1**	2.5
Accruals	**0.4**	0.1
	3.5	2.6

The amounts owed to Group undertakings are unsecured, repayable on demand and no interest is charged.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
All amounts in millions

42. Financial instruments

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

(a) Financial instruments of the Company

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

Financial instruments:	Book value 31 December, 2016 £M	Fair value 31 December, 2016 £M	Book value 31 December, 2015 £M	Fair value 31 December, 2015 £M
Financial assets:				
Loans to subsidiary undertakings	**92.2**	**92.2**	82.2	82.2
Loans to joint ventures	**3.0**	**3.0**	3.2	3.2
Cash at bank and in hand	**1.4**	**1.4**	1.1	1.1
Financial liabilities[(1)]:				
Loan Notes due 2021	**20.3**	**20.3**	17.0	17.0
Revolving credit facility	**26.6**	**26.6**	23.0	23.0

(1) The financial instruments included in financial liabilities are shown gross of unamortised finance costs. The fair value of these financial instruments is calculated by discounting the future cash flows, including interest payments due.

All financial assets mature within one year; however, there is no current intention to seek repayment of loans to subsidiary undertakings. The maturity of the financial liabilities is disclosed in Note 27 in the consolidated financial statements.

At 31 December, 2016, the amount drawn in bank and other loans was £46.9 million (2015: £40.0 million); of which £42.2 million was denominated in U.S. dollars with the remainder being denominated in GBP sterling (2015: £35.3 million was denominated in U.S. dollars with the remainder being denominated in GBP sterling).

The fair value calculations were performed on the following basis:

Loans to subsidiary undertakings

The carrying value approximates to the fair value.

Cash at bank and in hand

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

Bank loans

At 31 December, 2016, bank and other loans of £46.9 million (2015: £40.0 million) were outstanding. At 31 December, 2016, bank and other loans are shown net of issue costs of £0.9 million and these issue costs are to be amortised to the expected maturity of the facilities. At 31 December, 2016, £26.6 million of the total £46.9 million of bank and other loans was variable interest rate debt and subject to floating interest rate risk, with the remainder being fixed rate debt.

Fair value hierarchy

At 31 December, 2016, the Company used the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS
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42. Financial instruments (Continued)

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

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

	31 December, 2016 £M	Level 1 £M	Level 2 £M	Level 3 £M
Interest bearing loans and borrowings:				
Loan Notes due 2021	**20.3**	—	20.3	—
Revolving credit facility	**26.6**	—	26.6	—

During the year ended 31 December, 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

(b) Interest rate risks

Interest rate risk profile on financial assets

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

Cash by currency:	31 December, 2016 £M	31 December, 2015 £M
U.S. dollar	**0.8**	0.7
GBP sterling	**0.6**	0.4
	1.4	1.1

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

Interest rate risk profile on financial liabilities

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

	31 December, 2016				31 December, 2015			
	Within 12 months £M	1 to 5 years £M	> 5 years £M	Total £M	Within 12 months £M	1 to 5 years £M	> 5 years £M	Total £M
Floating interest rate risk:								
Revolving credit facility (including interest payments)	**0.7**	**27.7**	**—**	**28.4**	0.6	24.7	—	25.3
Fixed interest rate risk:								
Loan Notes due 2021 (including interest payments)	**0.8**	**23.3**	**—**	**24.1**	0.6	2.5	17.5	20.6
	1.5	**51.0**	**—**	**52.5**	1.2	27.2	17.5	45.9

NOTES TO THE COMPANY FINANCIAL STATEMENTS
All amounts in millions

42. Financial instruments (Continued)

(c) Un-drawn committed facilities

At 31 December, 2016, the Group had committed banking facilities of $150.0 million (£121.6 million). The facilities were for providing loans and overdrafts, with a separate facility for letters of credit which at 31 December, 2016 was £7.0 million ($8.6 million). Of the committed facilities, $32.8 million (£26.6 million) of loans were drawn across the Group and $nil for letters of credit were utilised.

At 31 December, 2015, the Group had committed banking facilities of $150.0 million (£101.8 million). The facilities were for providing loans and overdrafts, with a separate facility for letters of credit which at 31 December, 2015 was £7.0 million ($10.3 million). Of the committed facilities, $43.4 million (£39.6 million) of loans were drawn across the Group and $nil for letters of credit were utilised.

43. Financial risk management objectives and policies

The Company's financial instruments comprise bank and other loans and cash and cash equivalents. The main risks arising from the Company's financial instruments are cash flow interest rate risk and foreign currency translation risk.

Interest rate risk

The Company has exposure to variable interest rates when it draws down on the revolving credit facilities. As a result of this exposure, the Company may decide to hedge interest payable based on a combination of forward rate agreements. If the interest rates were to change by 1%, based on the balance on the revolving credit facilities at 31 December, 2016, this would impact the interest cost by approximately £0.3 million.

Foreign currency translation risk

The Company is exposed to translation risk on both its consolidated income statement, based on average exchange rates, and its balance sheet with regards to period end exchange rates. The net exposure to USD loans at 31 December 2016 was £22.1 million translated at an exchange rate of $1.2336. A $0.10 change in exchange rates would change the net exposure by approximately £2.0 million.

Credit risk

The Company is exposed to credit risk on the loans which have been provided to subsidiary undertakings and joint ventures. The total exposure regarding these loans is £98.3 million. None of the loans are past due or are been deemed impaired.

44. Retirement benefits

The Company is a member of the Luxfer Group Pension Plan ("the Plan"), a defined benefit scheme in the U.K. The levels of funding are determined by periodic actuarial valuations. The assets of the Plan are generally held in separate trustee administered funds.

Remeasurements are recognised in full in the period in which they occur. The liability 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 full deficit relating to the Plan has been included in the Company statement of financial position. This is because there is no allocation of the deficit between the various subsidiary companies. The Directors consider the sponsor to be the ultimate parent company in the Group.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
All amounts in millions

44. Retirement benefits (Continued)

The Plan closed to new members in 1998, new employees then being eligible for a defined contribution plan. With effect from April 2004, the Plan changed from a final salary to a career average revalued earnings benefit scale. In August 2005, a plan specific earnings cap of £60,000 per annum subject to inflation increases was introduced, 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 unexpected increases in life expectancies. In 2015, following a consultation with the trustees and members, it was agreed the Plan would close to future accrual of benefits effective from 5 April, 2015 and for the purpose of increasing pensions in payment, to use the Consumer Prices Index ("CPI") as the reference index in place of the Retail Prices Index ("RPI") where applicable. The weighted average duration of the expected benefit payments from the Plan is around 17 years. The pension cost of the Plan is assessed in accordance with the advice of an independent firm of professionally qualified actuaries, Lane Clark & Peacock LLP. The

Plan is registered with HMRC for tax purposes, operates separately from the Company and is managed by an independent set of trustees. The Plan is subject to U.K. regulations, which require the Company and trustees to agree a funding strategy and contribution schedule for the Plan. Over and above the normal contributions required to meet the cost of future accrual, the schedule of payments provides for deficit funding, which is based upon minimum annual contributions of £3.8 million per year, together with additional variable contributions based on 15% of net earnings of Luxfer Holdings PLC between £12 million and £24 million, and 10% of net earnings of Luxfer Holdings PLC in excess of £24 million.

The total charge to the Company's income statement for 2016 for retirement benefits was £1.6 million (2015: credit of £9.3 million).

The movement in the pension liabilities is shown below:

	2016 £M	2015 £M
Balance at 1 January	**31.6**	49.0
Charged/(credited) to the income statement		
Current service cost	**0.2**	0.8
Net interest on net liability	**1.1**	1.6
Administrative expenses	**0.3**	0.6
Curtailment credit	**—**	(2.2)
Past service credit	**—**	(10.1)
Cash contributions	**(4.6)**	(5.8)
Charged/(credited) to the statement of comprehensive income	**15.0**	(2.3)
Balance at 31 December	**43.6**	31.6

The financial assumptions used in the calculations were:

	Projected Unit Credit Valuation		
	United Kingdom		
	2016 %	2015 %	2014 %
Discount rate	**2.60**	3.70	3.50
Retail Price Inflation	**3.20**	3.00	2.90
Inflation related assumptions:			
Salary inflation	**n/a**	4.00	3.90
Consumer Price Inflation	**2.20**	2.00	1.90
Pension increases—pre 6 April 1997	**2.00**	1.80	2.30
—1997 - 2005	**2.20**	2.10	2.80
—post 5 April 2005	**1.80**	1.70	2.00

NOTES TO THE COMPANY FINANCIAL STATEMENTS
All amounts in millions

44. Retirement benefits (Continued)

Other principal actuarial assumptions:	2016 Years	2015 Years	2014 Years
Life expectancy of male in the U.K. aged 65 at accounting date	**21.5**	21.5	20.6
Life expectancy of male in the U.K. aged 65 at 20 years after accounting date	**23.2**	23.1	22.3

Investment strategies

For the Plan, the assets are invested in a diversified range of asset classes and include matching assets (comprising fixed interest and index linked bonds and swaps) and growth assets (comprising all other assets). The Trustees have formulated a de-risking strategy to help control the short term risks of volatility associated with holding growth assets. The Trustees also monitor the cost of a buy-in to secure pensioner liabilities with an insurance company to ensure they are able to act if such an opportunity arises.

Risk exposures

The Company is at risk of adverse experience relating to the defined benefit plan.

The Plan holds a high proportion of assets in equity and other growth investments, with the intention of growing the value of assets relative to liabilities. The Company is at risk if the value of liabilities grows at a faster rate than the plan assets, or if there is a significant fall in the value of these assets not matched by a fall in the value of liabilities. If these events occurred, this would be expected to lead to an increase in the Company's future cash contributions.

Special events

In 2015, following a consultation with the trustees and members, it was agreed that the Plan would close to future accrual of benefits effective from 5 April, 2015 and for the purpose of increasing pensions in payment, to use CPI as the reference index in place of RPI where applicable. As a result, in 2015 the Company has recognised a curtailment credit of £2.2 million in respect of the closure of the Plan to future accrual and a past service credit of £10.1 million in respect of the change in expected future pension increases in payment.

The amounts recognised in the income statement in respect of the pension plan were as follows:

	2016 £M	2015 £M
In respect of defined benefit plan:		
Current service cost	**0.2**	0.9
Net interest on net liability	**1.1**	1.6
Administrative expenses	**0.3**	0.5
Past service credit	**—**	(10.1)
(Curtailment credit)/settlement	**—**	(2.2)
Total charge/(credit) for defined benefit plan	**1.6**	(9.3)

For the year, the amount of loss recognised in the Statement of Comprehensive Income is £15.0 million (2015: gain of £2.3 million).

The actual return on the plan assets was a gain of £32.7 million (2015: gain of £0.5 million).

NOTES TO THE COMPANY FINANCIAL STATEMENTS
All amounts in millions

44. Retirement benefits (Continued)

The value of the plan assets were:

	2016 £M	2015 £M
Assets in active markets:		
Equities and growth funds	**139.1**	120.2
Government bonds	**35.9**	27.3
Corporate bonds	**50.6**	45.4
Cash	**(0.1)**	0.3
Total market value of assets	**225.5**	193.2
Present value of plan liabilities	**(269.1)**	(224.8)
Deficit in the Plan	**(43.6)**	(31.6)
Related deferred income tax assets	**8.3**	6.0
Net pension liabilities	**(35.4)**	(25.6)

The Plan does not invest directly in property occupied by the Company or in financial securities issued by the Company.

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

	2016 £M	2015 £M
At 1 January	**224.8**	244.9
Service cost	**0.2**	0.9
Interest on obligation	**8.1**	8.4
Contributions from plan members	**0.1**	0.4
Actuarial (gains)/losses	**47.7**	(8.6)
Benefits paid	**(11.8)**	(8.9)
Past service credit	**—**	(10.1)
Curtailment credit	**—**	(2.2)
At 31 December	**269.1**	224.8

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 19%
CPI inflation (and related increases)	Increase/decrease by 1.0%	Increase/decrease by 9%
Post retirement mortality	Increase by 1 year	Increase by 3%

The sensitivities have been calculated to show the movement in the total defined benefit obligation in isolation, assuming no other changes in market conditions at the accounting date. In practice, for example, a change in discount rate is likely to be associated with a movement in the value of the invested assets held by the Plan.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
All amounts in millions

44. Retirement benefits (Continued)

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

	2016 £M	2015 £M
At 1 January	**193.2**	195.9
Interest on plan assets	**7.0**	6.9
Actuarial gains/(losses)	**32.7**	(6.3)
Contributions from employers	**4.5**	5.8
Contributions from plan members	**0.1**	0.4
Administrative expenses	**(0.3)**	(0.6)
Benefits paid	**(11.7)**	(8.9)
At 31 December	**225.5**	193.2

The estimated amount of employer contributions expected to be paid to the defined benefit pension plan for the year ending 31 December, 2017 is £4.5 million (2016: £4.6 million actual employer contributions).

45. Related party transactions

During 2016, the Company has made the following transactions and has the following outstanding balances at 31 December, 2016 with related parties:

	Income	Expenditure	Balances outstanding		
Name of related party	**Interest £M**	**Management recharges £M**	**Investments £M**	**Trade and other receivables £M**	**Trade and other payables £M**
Luxfer Group Limited	0.4	(0.4)	5.0	0.7	(3.1)
MEL Chemicals, Inc.	0.2	—	5.7	—	—
Luxfer Overseas Holdings Limited	0.3	—	7.0	—	—
BA Holdings, Inc.	0.8	—	13.8	0.1	—
Magnesium Elektron North America, Inc.	0.3	—	8.3	0.1	—
Magnesium Elektron Limited	0.2	—	4.7	0.1	—
Luxfer Group 2000 Limited	0.5	—	14.2	0.3	—
Luxfer Holdings NA, LLC	0.2	—	3.0	—	—
Luxfer Magtech Inc.	2.5	—	33.5	0.1	—
Luxfer Gas Cylinders Limited	—	—	—	2.4	—

Of the balances outstanding held within investments, these balances are all interest bearing and are based on market rates of interest.

Included within trade and other receivables are loans to Luxfer Group Limited and Luxfer Gas Cylinders Limited for £0.7 million and £2.4 million respectively. These loans are non-interest bearing, unsecured and are repayable on demand.

During 2015, the Company has made the following transactions and has the following outstanding balances at 31 December, 2015 with related parties:

NOTES TO THE COMPANY FINANCIAL STATEMENTS
All amounts in millions

45. Related party transactions (Continued)

	Income	Expenditure	Balances outstanding		
Name of related party	**Interest £M**	**Management recharges £M**	**Investments £M**	**Trade and other receivables £M**	**Trade and other payables £M**
Luxfer Group Limited	0.5	(0.4)	5.0	2.4	(2.5)
MEL Chemicals, Inc.	0.2	—	4.8	—	—
Luxfer Overseas Holdings Limited	0.3	—	7.0	—	—
BA Holdings, Inc.	0.7	—	11.5	0.1	—
Magnesium Elektron North America, Inc.	0.2	—	6.9	—	—
Magnesium Elektron Limited	0.2	—	4.7	—	—
Luxfer Group 2000 Limited	0.5	—	14.3	0.4	—
Luxfer Holdings NA, LLC	0.2	—	3.2	—	—
Luxfer Magtech Inc.	2.2	—	28.0	0.1	—
Luxfer Gas Cylinders Limited	—	—	—	2.3	—

In addition to the transactions above, share based compensation recharges have been made to Luxfer, Inc., Luxfer Gas Cylinders Limited and Magnesium Elektron Limited for £0.2 million, £0.2 million and £0.3 million respectively (2015: £0.1 million, £0.1 million and £0.1 million, respectively). These amounts are recognised as capital contributions in the year.

Other than the transactions mentioned above, no other related party transactions have been identified.