

Registered No. 03944037

# **LUXFER GROUP LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

31 DECEMBER 2017



# LUXFER GROUP LIMITED

## STRATEGIC REPORT

### **Strategic review**

The Company is a holding company for certain subsidiaries of Luxfer Holdings PLC.

During 2017, the interest receivable and similar income of the Company decreased by £296,000 to £216,000 which arose due to decreased interest receivable from group undertakings. The interest payable and similar expenses have decreased from £2,031,000 to £1,921,000 due to a reduction in borrowings during the year.

Administrative expenses (excluding exceptional items) increased by £1,850,000 to £9,193,000 and included contributions to the Luxfer Group Pension Plan (LGPP) of £97,000 (2016 – £112,000) to fund the Pension Protection Fund Levy in this scheme and £2,513,000 (2016 – £2,426,000) in relation to the LGPP deficit payments.

Overall, the net assets of the Company increased by £452,000 to £19,751,000 as at 31 December 2017.

The Company is expected to operate in a similar manner as a holding Company in the future.

### **Key Performance Indicators**

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

### **Principal risks and uncertainties**

The Company's principal risks and uncertainties relate to the treasury function services it provides to associate companies and also the Company's participation in the Luxfer Group Pension Plan scheme. The risks relating to treasury activities are discussed further under 'Financial instruments' below.

### **Risks relating to the Group's Retirement Benefit Funds**

The Company is the principal employer of the Luxfer Group's U.K. defined benefit arrangements. This is further explained in Note 20 of the financial statements. The funding requirements of the defined benefit arrangements are subject to fluctuations in investment markets, along with changes in the life expectancy of their members and as a result these plans may have significant deficits. Increased regulatory burdens have also proved to be a significant risk, with taxes such as the U.K.'s Pension Protection Fund Levy (PPF levy) which has added costs to the U.K. plan. In 2017, the cost of the PPF levy to the Company decreased to £97,000 from £112,000. The Group and the Trustees of the plan closely monitor the financial performance of the Schemes, taking actuarial and investment advice as appropriate. It is a long-term liability, and we have a programme in place to contribute cash to our defined benefit plan 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.

### **Financial instruments**

#### **Treasury**

The Company's treasury function manages borrowing facilities, investment of surplus funds and the management of financial risks for the whole group.

The Company finances its activities through group loans, cash and bank borrowing facilities. Other financial assets and liabilities, such as trade creditors, arise directly from the Company's operating activities.

As part of its treasury activities the Company will use forward foreign currency exchange contracts, interest rate contracts and also aluminium LME contracts to hedge financial risks and commodity price risks on behalf of associate undertakings in the Luxfer Group. All these activities are undertaken within the Luxfer Group's hedging policies and the Company will offset any 'external' third party derivative contracts with 'internal' contracts with its associate undertakings. The Company does not trade in these financial derivatives.

#### **Interest rate risk**

The Company provides short and long-term loan financing to other Luxfer Group companies and will also borrow funds from other group companies. Apart from the fixed rate loan with Luxfer Holdings PLC (see Note 16), these loans are usually made on a variable interest rate basis pegged to either a short or medium-term LIBOR rate and therefore, the Company's net interest receivable and payable is exposed to changes in interest rates.

The Company's other main variable interest rate risk relates to its draw-downs on the Group's revolving credit bank facilities.

# **LUXFER GROUP LIMITED**

## **STRATEGIC REPORT (Continued)**

### **Financial instruments (Continued)**

#### ***Movements in foreign currency exchange rates***

The Company's treasury funding of associate companies extends to Luxfer Group companies outside the United Kingdom and therefore the Company is exposed to foreign exchange currency risks on lending and borrowing with these associate companies. As at 31 December 2017, the Company had loans receivable in euros of £1,864,000 and loans payable of £577,000 in Australian dollars, £1,456,000 in euros, £116,000 in Canadian dollars and £7,548,000 in U.S. dollars.

The Company made foreign currency gains on loan investments of £76,000 in 2017 and made losses of £72,000 in 2016.

#### ***Foreign currency risk***

Where no natural hedge exists, firm contractual commitments of the Group's trading subsidiaries denominated in foreign currencies are hedged by means of forward foreign exchange contracts.

#### **Future developments**

Both the level of activity and year-end financial position were satisfactory, and the Directors expect that the present level of activity will be sustained for the foreseeable future. The Directors remain confident of the long-term prospects for the Company.

By order of the Board on <sup>28</sup> June 2018



**S M D Webster**  
Director

# LUXFER GROUP LIMITED

## DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

Luxfer Group Limited is a private company limited by shares, domiciled, registered and incorporated in England and Wales. The Company's registered address is Lumns Lane, Manchester M27 8LN.

### Results and dividends

The loss for the financial year amounted to £365,000 (2016 – loss of £1,777,000). No interim dividend was paid during the year (2016 – £nil). The Directors do not recommend the payment of a final dividend (2016 – £nil).

### 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. The net current liabilities position of £357,000 is not expected to be the long-term position of the Company. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

### Directors

The Directors of the Company, who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

B G Purves (resigned 17 July 2017),  
A M Beaden (resigned 2 October 2017)  
D N Fletcher (appointed 17 July 2017, resigned 1 January 2018)  
A Maskara (appointed 17 July 2017),  
S M D Webster (appointed 1 January 2018)  
C L Swarbrick (appointed 1 January 2018)  
P N Gibbons (appointed 26 April 2018)

D N Fletcher resigned as Company Secretary on 1 January 2018 and J M Savage was appointed on 1 January 2018.

### Directors' liabilities

During the year, the Company had in force an indemnity provision in favour of the Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006.

### Qualifying third party indemnity provisions

Qualifying third party indemnity provisions, as defined in the Companies Act 2006, were in force during the year and up to the date of the Directors' Report for the benefit of all directors of the Company.

### Independent auditors

PricewaterhouseCoopers LLP indicated their willingness to continue in office and a resolution that they be reappointed as auditors will be proposed at the annual general meeting.

### Disclosure of information to the auditors

The Directors who served during the year and at the time of approving the Directors' Report confirm that:

- to the best of their knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- they have 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.

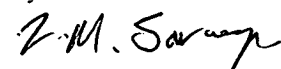
### Financial instruments

Details of financing and treasury policies, along with the management of treasury risk, use of derivatives, and interest rate and foreign exchange risk can be found in the Strategic Report on pages 1-2.

### Future developments

An indication of the likely future developments in the business of the Company can be found in the Strategic Report on page 2.

By order of the Board on 28 June 2018



J M Savage  
Company Secretary

## **LUXFER GROUP LIMITED**

### **STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

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

# ***Independent auditors' report to the members of Luxfer Group Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Luxfer Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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### **Basis for opinion**

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

### **Independence**

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

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### **Conclusions relating to going concern**

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

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

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

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### **Reporting on other information**

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

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

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

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

## *Strategic Report and Directors' Report*

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

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

## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

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

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

### *Auditors' responsibilities for the audit of the financial statements*

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

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

### *Use of this report*

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

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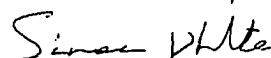
## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Simon White (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
28 June 2018

# LUXFER GROUP LIMITED

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

All amounts in thousands

	Note	2017 £000	2016 £000
Income from fixed asset investments .....	2	10,000	5,500
Interest receivable and similar income .....	3	216	512
Interest payable and similar expenses .....	4	(1,921)	(2,031)
Net interest payable and similar expenses .....		(1,705)	(1,519)
Administrative expenses (excluding exceptional items) .....		(9,146)	(7,296)
<b>OPERATING LOSS (BEFORE EXCEPTIONAL ITEMS) .....</b>		<b>(851)</b>	<b>(3,315)</b>
Exceptional items .....	5	(743)	55
<b>OPERATING LOSS .....</b>	6	<b>(1,594)</b>	<b>(3,260)</b>
<b>LOSS BEFORE TAXATION .....</b>		<b>(1,594)</b>	<b>(3,260)</b>
Income tax credit .....	8	1,229	1,483
<b>LOSS FOR THE FINANCIAL YEAR .....</b>		<b>(365)</b>	<b>(1,777)</b>
<b>Attributable to:</b>			
Equity shareholders .....		(365)	(1,777)

The notes on pages 11 to 28 are an integral part of these financial statements.



# LUXFER GROUP LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

All amounts in thousands

	2017 £000	2016 £000
Loss for the financial year .....	(365)	(1,777)
Other comprehensive (loss) / income movements		
Items that may be reclassified to the income statement:		
Fair value movements in cash flow hedges .....	(120)	(2)
Transfers to income statement on cash flow hedges .....	15	11
Deferred income taxes on cash flows hedges .....	20	—
Hedge accounting (expense) / income adjustments .....	(85)	9
Total other comprehensive (loss) / income movements for the year .....	(85)	9
Total comprehensive loss for the year .....	(450)	(1,768)
Attributed to:		
Equity shareholders .....	(450)	(1,768)

The notes on pages 11 to 28 are an integral part of these financial statements.

# LUXFER GROUP LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2017

All amounts in thousands

	Note	31 December 2017 £000	31 December 2016 £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment .....	9	25	41
Intangible assets .....	10	694	222
Investments .....	11	44,098	47,098
Deferred income taxes.....	12	294	209
Trade and other receivables .....	13	—	666
		<u>45,111</u>	<u>48,236</u>
<b>Current assets</b>			
Trade and other receivables .....	13	17,180	37,380
Cash and cash equivalents.....	14	—	5,107
		<u>17,180</u>	<u>42,487</u>
<b>TOTAL ASSETS</b> .....		<u><b>62,291</b></u>	<u><b>90,723</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up share capital .....	15	6,100	6,100
Capital contribution reserve .....		907	177
Retained earnings .....		12,760	12,953
Hedging reserve .....		(16)	69
Capital and reserves attributable to the Company's equity shareholders...		<u>19,751</u>	<u>19,299</u>
Total equity .....		<u>19,751</u>	<u>19,299</u>
<b>Non-current liabilities</b>			
Loan owed to ultimate parent undertaking.....	16	5,003	5,003
Loans owed to group undertakings .....	16	20,000	24,408
Trade and other payables .....	18	—	630
		<u>25,003</u>	<u>30,041</u>
<b>Current liabilities</b>			
Bank loans and overdrafts .....	17	699	—
Trade and other payables .....	18	16,838	41,383
		<u>17,537</u>	<u>41,383</u>
Total liabilities .....		<u>42,540</u>	<u>71,424</u>
<b>TOTAL EQUITY AND LIABILITIES</b> .....		<u><b>62,291</b></u>	<u><b>90,723</b></u>

The notes on pages 11 to 28 are an integral part of these financial statements.

The financial statements on pages 7 to 28 were approved by the Board on <sup>28</sup> June 2018 and signed on its behalf by:



**S M D Webster**  
Director

Company Registration No. 03944037

# LUXFER GROUP LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

All amounts in thousands

	Note	Called up share capital £000	Capital contribution reserve £000	Retained earnings £000	Hedging reserve £000	Total equity £000
<b>At 1 January 2016</b> .....		6,100	133	14,730	60	21,023
Loss for the financial year .....		—	—	(1,777)	—	(1,777)
Decrease in fair value of cash flow hedges .....		—	—	—	(2)	(2)
Transfer to income statement on cash flow hedges...		—	—	—	11	11
<b>Total comprehensive (loss) / income for the year</b> .....		—	—	(1,777)	9	(1,768)
Capital contribution in respect of share-based compensation charges .....	22	—	44	—	—	44
<b>Other changes in equity in the year</b> .....		—	44	—	—	44
<b>At 31 December 2016</b> .....		6,100	177	12,953	69	19,299
Loss for the financial year .....		—	—	(365)	—	(365)
Decrease in fair value of cash flow hedges .....		—	—	—	(120)	(120)
Transfer to income statement on cash flow hedges...		—	—	—	15	15
Deferred income taxes on cash flows hedges .....	12	—	—	—	20	20
<b>Total comprehensive loss for the year</b> .....		—	—	(365)	(85)	(450)
Capital contribution in respect of share-based compensation charges .....	22	—	730	—	—	730
Deferred income taxes on items taken to equity .....		—	—	172	—	172
<b>Other changes in equity in the year</b> .....		—	730	172	—	902
<b>At 31 December 2017</b> .....		6,100	907	12,760	(16)	19,751

The notes on pages 11 to 28 are an integral part of these financial statements.

# LUXFER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

All amounts in thousands

### 1. Accounting policies

#### *Basis of preparation and statement of compliance with IFRS*

These financial statements were prepared in accordance with The Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, and on the going concern basis as disclosed in the statement of going concern as set out in the Directors' Report.

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.

Once approved, the financial statements cannot be amended without re-presenting them for approval by the Board.

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 25 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained. The accounting policies set out in this note to the financial statements have been consistently applied in preparing these financial statements and comparative information from 1 January 2016.

The key disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - Paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
  - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows);
  - 10(f), (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  - 16 (statement of compliance with all IFRSs);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third statement of financial position);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

# LUXFER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

### 1. Accounting policies (Continued)

#### *Basis of preparation and statement of compliance with IFRS (Continued)*

- Paragraphs 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 35, 'Impairment of assets' (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives and management's approach to determining these amounts).

The policies set out below have been consistently applied across all years presented, unless stated otherwise.

#### *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in GBP sterling (£), which is also the Company's functional currency.

#### *Consolidation*

The Company is a wholly owned subsidiary of Luxfer Holdings PLC. It is included in the consolidated financial statements of Luxfer Holdings PLC which are publically available. Therefore, the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are separate financial statements.

#### *Business combinations and goodwill*

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.

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.

#### *Other intangible assets*

Other intangible assets 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 follows:

Technology and patents.....	14 – 20 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.

# LUXFER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

### 1. Accounting policies (Continued)

#### *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. 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.....	10% – 30%
Including:	
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 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 income statement in the year the item is derecognised.

#### *Investment in and income from non-current investments*

Investments in subsidiaries are held at cost less accumulated impairment losses.

As the Company is a holding company, the Directors consider that income from non-current investments is more appropriately presented as part of operating profit. Accordingly, the presentation of the income statement has been amended. Dividend income is recognised when the right to receive payment is established.

#### *Interest receivable and similar income*

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

#### *Interest payable and similar charges*

Interest expense is recognised using the effective interest method.

# **LUXFER GROUP LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

All amounts in thousands

### **1. Accounting policies (Continued)**

#### ***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 income statement.

#### ***Current and deferred income taxes***

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### ***Leases***

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

#### ***Retirement benefits costs***

The Company participates in the Group's defined benefit pension plan which requires contributions to be made to separately administered funds. There is no allocation of the plan deficit between the various subsidiary companies as the directors consider the sponsor to be the ultimate parent company in the Group. Therefore, the plan is accounted for as a defined contribution plan and contributions are charged to the income statement as they become payable in accordance with the rules of the plan.

The Company also participates in the Group's defined contribution plan. Contributions are charged to the income statement as they become payable in accordance with the rules of the plan.

#### ***Provisions***

Provisions are recognised when the Company 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.

# LUXFER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

### 1. Accounting policies (Continued)

#### *Share-based compensation*

Luxfer Holdings PLC issues equity-settled share options to certain employees within the Company. Equity-settled share-based payment transactions are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Luxfer Holdings PLC also issues matching shares under its Employee Share Incentive Plan (the 'SIP'). Where employees are entitled to participating and matching shares under the SIP, these are recorded at fair value at the date the shares are acquired. Employees are only entitled to the shares at the end of a holding period of three years. The fair value is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and be transferred to employees. As the shares awarded are issued by the ultimate parent company without charge to the Company, an amount equivalent to the expense recorded in the income statement account is recorded as a credit to a capital contribution reserve.

Fair value is measured by use of the Black-Scholes pricing model which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

#### *Separate disclosure of expenses or income*

Certain items of expense or income, referred to as exceptional items, are not included in the segmental performance as evaluated by the chief operating decision maker; where material and to inform users of the financial statements, such items of expense or income incurred during a period are disclosed under identifiable headings in the income statement and further explained in Note 5 to the financial statements. Examples of such items include but are not limited to:

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

The nature of the items of expense or income is considered to determine whether the item should be presented as part of operating profit or loss or as other expenses or income. The operating profit before exceptional items, presented by the Company excludes 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.



# LUXFER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

### 1. Accounting policies (Continued)

#### *Financial assets and liabilities*

##### *Trade and other receivables*

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

##### *Bank and other loans*

Bank and other loans are recorded at the fair value of the proceeds received plus directly attributable transaction costs. Issue costs relating to revolving credit facilities are charged to the income statement over the 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 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 Company 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 hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

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

##### *Financial liabilities and equity instruments*

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

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

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

##### *Critical accounting judgements and key sources of estimation 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 judgements used by management in the application of the Company's accounting policies in respect of these key areas of estimation are considered to be the most significant.

# LUXFER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

### 1. Accounting policies (Continued)

#### *Critical accounting judgements and key sources of estimation uncertainty (Continued)*

##### *Impairment of non-financial assets*

The Company 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.

##### *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. Judgement 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 12.

#### *New standards and amendments to standards not applied*

The EU has adopted the following standards and amendments to standards with a mandatory effective date after 1 January 2017:

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

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

- IFRS 9 — Financial assets will continue to be classified and measured at amortized cost under IFRS 9. The Directors anticipate that the timing of the recognition of impairments will change rather than the size of the balance.
- IFRS 16 — Currently disclosed operating leases would be brought on to the balance sheet, with an offsetting liability and a depreciation charge and a finance charge would replace the lease expense charge to operating income, with the latter going through finance costs. The current level of operating lease commitments is disclosed in Note 21. These will be included within the balance sheet at a discounted amount, once the standard is adopted. These leases relate to company cars and real property leases.

# LUXFER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

### 2. Income from fixed asset investments

	2017 £000	2016 £000
Dividends received from subsidiary undertakings .....	<u>10,000</u>	<u>5,500</u>

### 3. Interest receivable and similar income

	2017 £000	2016 £000
Interest receivable from group undertakings .....	140	475
Interest receivable from third parties .....	—	37
Gain on translation of loans .....	76	—
	<u>216</u>	<u>512</u>

### 4. Interest payable and similar expenses

	2017 £000	2016 £000
Bank loans and overdrafts .....	684	712
Interest payable to group undertakings .....	1,237	1,247
Loss on translation of loans .....	—	72
	<u>1,921</u>	<u>2,031</u>

### 5. Exceptional items

	2017 £000	2016 £000
Rationalisation of operations .....	(743)	—
Exchange gain .....	—	55
	<u>(743)</u>	<u>55</u>

During 2017, £743,000 was incurred as part of a Group-wide effort to reduce headcount and streamline management.

An exchange gain of £55,000 was recognised in 2016 as a result of the settlement of the intercompany loan with Luxfer Germany GmbH on the 18 December 2016.

# LUXFER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

### 6. Operating loss

This is stated after charging:

	2017 £000	2016 £000
Depreciation (Note 9) .....	16	26
Amortisation of other intangibles (charged to administrative expenses) (Note 10).....	31	31
Operating lease rentals – land and buildings .....	56	84
– plant and equipment .....	15	25
Additional pension contributions to the LGPP (see Note 20).....	2,513	2,426

Fees paid to the auditors for the U.K. audit £25,000 (2016 – £25,000) and non-audit £nil (2016 – £nil) services were borne by associated group undertakings for the years ended 31 December 2017 and 31 December 2016.

### 7. Staff costs

	2017 £000	2016 £000
Wages and salaries .....	2,342	1,542
Social security costs .....	522	359
Other pension costs .....	294	312
	3,158	2,213

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

	2017 No.	2016 No.
Administration	19	15

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

	2017 £000	2016 £000
Remuneration (short-term benefits).....	1,565	842
Share awards.....	1,954	144
Post-retirement benefits .....	189	67
Loss of office.....	255	—
Total short-term and post-retirement benefits.....	3,963	1,053

During the year, three directors (2016 – three) were members of both the defined benefit plan and defined contribution plan; and one director (2016 – one) was a member of the defined contribution plan.

Details regarding the directors emoluments are disclosed in these financial statements. The Directors do not believe that it is practicable to apportion these amounts between the services of these directors of the Company and their services as directors of the holding and fellow subsidiary companies; accordingly, no recharge for their services have been made by the Company.

# LUXFER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

### 7. Staff costs (Continued)

The highest paid Director's emoluments were as follows:

	2017 £000	2016 £000
Remuneration (short-term benefits).....	701	493
Share awards.....	1,330	101
Post-retirement benefits.....	69	28
Total short-term and post-retirement benefits.....	2,099	622

### 8. Income tax credit

#### (a) Analysis of taxation credit for the year

	2017 £000	2016 £000
<b>Current income taxes:</b>		
Group relief.....	(1,331)	(1,742)
Adjustments in respect of previous years.....	(5)	242
Total current tax credit.....	(1,336)	(1,500)
<b>Deferred income taxes:</b>		
Origination and reversal of timing differences.....	107	(17)
Adjustments in respect of previous years.....	—	34
Total deferred income taxes charge.....	107	17
Tax credit.....	(1,229)	(1,483)

The income tax credit relate to continuing activities.

#### (b) Factors affecting the taxation credit for the year

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

The differences are explained below:

	2017 £000	2016 £000
Loss before taxation.....	(1,594)	(3,260)
Loss at 2017 standard rate of corporation tax in the U.K. of 19.25% (2016 – 20%)	(307)	(652)
<b>Effects of:</b>		
(Non-taxable income) and non-deductible expenses.....	(1,827)	(1,110)
Adjustments in respect of previous years.....	(5)	276
Deferred tax not recognised.....	910	3
Tax credit.....	(1,229)	(1,483)

#### (c) Factors that may affect future taxation charge

The tax rate for the current year is lower than the prior year due to changes in the U.K. corporation tax rate which decreased from 20% to 19% from 1 April 2017.

In his Budget announcement of 16 March 2016, the Chancellor of the Exchequer announced certain tax changes which will affect the Company's future tax position. The proposals include further reductions in the U.K. corporation tax rate to 17% from 1 April 2020.

At 31 December 2017, the previously announced reductions in the rate had been 'substantively enacted' and this has been reflected in the financial statements at 31 December 2017.

# LUXFER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

### 9. Property, plant and equipment

	Plant and equipment £000
<b>Cost:</b>	
At 1 January 2017 and 31 December 2017 .....	<u>308</u>
<b>Accumulated depreciation:</b>	
At 1 January 2017 .....	267
Provided during the year .....	16
At 31 December 2017 .....	<u>283</u>
<b>Net book values:</b>	
At 31 December 2017 .....	<u>25</u>
At 31 December 2016 .....	<u>41</u>

The carrying amount of assets held under finance leases was £nil in 2017 and 2016.

### 10. Intangible assets

	Software £000	Goodwill £000	Patents £000	Total £000
<b>Cost:</b>				
At 1 January 2017 .....	31	2,787	623	3,441
Additions .....	503	—	—	503
At 31 December 2017 .....	<u>534</u>	<u>2,787</u>	<u>623</u>	<u>3,944</u>
<b>Accumulated amortisation:</b>				
At 1 January 2017 .....	31	2,660	528	3,219
Provided during the year .....	—	—	31	31
At 31 December 2017 .....	<u>31</u>	<u>2,660</u>	<u>559</u>	<u>3,250</u>
<b>Net book values:</b>				
At 31 December 2017 .....	<u>503</u>	<u>127</u>	<u>64</u>	<u>694</u>
At 31 December 2016 .....	<u>—</u>	<u>127</u>	<u>95</u>	<u>222</u>

Goodwill relates to the acquisition of the Magnesium Elektron, MEL Chemicals and Baco Contracts businesses from British Aluminium Limited in the year ended 31 December 2000.

The Company tests goodwill with an indefinite useful life for signs of impairment each year. These tests compare the retrospective carrying amount with the recoverable amount of the asset, which is defined as the value in use.

# LUXFER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

### 11. Investments

	Subsidiary undertakings £000	Loans to group undertakings £000	Total £000
Cost:			
At 1 January 2017.....	44,098	3,000	47,098
Repaid during year .....	—	(3,000)	(3,000)
At 31 December 2017.....	44,098	—	44,098

Details of the investments which the Company holds are as follows:

Name of company	Country of registration (or incorporation) and operation	Holding	Proportion of voting rights and shares held	Nature of business
Luxfer Group Services Limited	England and Wales <sup>3</sup>	Ordinary shares	100%	Property Services
BAL 1996 Limited <sup>1</sup>	England and Wales <sup>3</sup>	Ordinary shares	100%	Dormant
LGL 1996 Limited	England and Wales <sup>3</sup>	Ordinary shares	100%	Dormant
Magnesium Elektron Limited	England and Wales <sup>3</sup>	Ordinary shares & preference shares <sup>2</sup>	100% 54%	Manufacturing
Magnesium Elektron CZ s.r.o. <sup>1</sup>	Czech Republic <sup>4</sup>	Register capital	100%	Manufacturing
Luxfer Magtech International Limited <sup>1</sup>	England and Wales <sup>3</sup>	Ordinary shares	100%	Manufacturing

<sup>1</sup> Held by a subsidiary undertaking

<sup>2</sup> The preference shares are redeemable upon Magnesium Elektron Limited giving three months' notice that they intend to redeem all or part of the preference shares. The preference shareholders are not entitled to any dividend but on a winding up or repayment of capital they are entitled to repayment of capital in priority to the holders of ordinary shares. Preference shareholders are not entitled to notice of meetings nor are they entitled to vote at any meeting

<sup>3</sup> Registered address: Lumns Lane, Manchester, M27 8LN, England

<sup>4</sup> Registered address: Nádražní 214, 435 33 Louka u Litvínova, Czech Republic.

### 12. Deferred income taxes

	Provided 31 December 2017 £000	Provided 31 December 2016 £000	Unprovided 31 December 2017 £000	Unprovided 31 December 2016 £000
Other timing differences .....	294	209	31	21
Tax losses .....	—	—	2,490	1,735
Deferred tax assets .....	294	209	2,521	1,756

Deferred tax assets are recognised to the extent justified by a review of forecasts of future taxable profits of fellow group companies to which the Company may provide group relief.

	Retirement benefit obligations £000	Share-based compensation £000	Derivative financial instruments £000	Total £000
At 1 January 2016.....	238	11	(21)	228
(Charged) / credited to income statement .....	(8)	6	(15)	(17)
Charged to other comprehensive income.....	—	—	(2)	(2)
At 1 January 2017.....	230	17	(38)	209
(Charged) / credited to income statement .....	(223)	114	2	(107)
Credit to other comprehensive income	—	—	20	20
Credited to equity .....	—	172	—	172
At 31 December 2017.....	7	303	(16)	294

# LUXFER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

### 13. Trade and other receivables

	31 December 2017 £000	31 December 2016 £000
<b>Non-current Assets</b>		
Derivative financial instruments .....	—	666
<b>Current Assets</b>		
Trade receivables .....	8	—
Amounts owed by group undertakings.....	14,393	27,552
Amounts owed by ultimate parent undertaking.....	—	1,429
Prepayments and other receivables .....	464	830
Derivative financial instruments .....	943	5,851
Group relief receivable.....	1,372	1,718
	<u>17,180</u>	<u>37,380</u>

Amounts owed by group undertakings and ultimate parent undertaking are unsecured, repayable on demand and no interest is charged.

### 14. Cash and cash equivalents

	31 December 2017 £000	31 December 2016 £000
Cash at bank and in hand .....	—	5,107

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.

### 15. Called up share capital

	31 December 2017 No.	31 December 2016 No.	31 December 2017 £000	31 December 2016 £000
<b>Authorised:</b>				
Ordinary shares of £1 each	<u>6,100,000</u>	<u>6,100,000</u>	<u>6,100</u>	<u>6,100</u>
<b>Allotted, called up and fully paid:</b>				
Ordinary shares of £1 each.....	<u>6,100,000</u>	<u>6,100,000</u>	<u>6,100</u>	<u>6,100</u>

### 16. Non-current liabilities

	31 December 2017 £000	31 December 2016 £000
Loan owed to ultimate parent undertaking.....	5,003	5,003
Loans owed to group undertakings .....	20,000	24,408
	<u>25,003</u>	<u>29,411</u>



# LUXFER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

### 16. Non-current liabilities (Continued)

The loan payable to the Company's ultimate parent company totalled £5,003,000 and bears interest at 7% payable half yearly. It is due to expire on 15 June 2021. The loan payable to group undertakings totals £20,000,000 and bears interest at 3% plus 6-month LIBOR. It is due to expire on 13 December 2022.

### 17. Bank loans and overdrafts

	31 December 2017 £000	31 December 2016 £000
Overdrafts.....	699	—

Bank overdraft incurs interest charges at floating rates based on daily bank deposit rates. The Directors consider that the carrying value of bank overdraft approximates to its fair value.

### 18. Trade and other payables

	31 December 2017 £000	31 December 2016 £000
<b>Non-current liabilities</b>		
Derivative financial instruments .....	—	630
<b>Current liabilities</b>		
Trade payables .....	809	527
Amounts owed to group undertakings .....	11,457	33,136
Amounts owed to ultimate parent undertaking .....	915	—
Other taxes and social security .....	169	163
Derivative financial instruments .....	945	5,801
Accruals and deferred income.....	2,543	1,756
	<b>16,838</b>	<b>41,383</b>

The Directors consider that the carrying value of trade payables approximates to their fair value. Amounts owed to group undertakings are unsecured, repayable on demand and no interest is charged.

### 19. Financial instruments

The Company has the following financial assets and liabilities measured at fair value through profit or loss:

	31 December 2017 £000	31 December 2016 £000
<b>Financial assets: derivatives.....</b>	<b>943</b>	<b>6,517</b>
<b>Financial liabilities: derivatives.....</b>	<b>(945)</b>	<b>(6,431)</b>
	<b>(2)</b>	<b>86</b>
<b>Derivative financial instruments are as follows:</b>		
<b>Held to hedge purchases and sales by the Company:</b>		
Forward foreign currency exchange rate contracts .....	(2)	86

## LUXFER GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

#### 19. Financial instruments (Continued)

##### *Forward foreign currency exchange rate contracts*

The Company enters into forward foreign currency exchange rate contracts to mitigate the exchange rate risk for certain foreign currency receivables and payables. At 31 December 2017, the outstanding contracts all mature within 19 months (2016 – 24 months) of the year end. The Company is committed to sell \$22,220,000, €32,900,000 and Australian \$5,000,000 and receive a fixed GBP sterling amount. The Company is committed to purchase \$16,069,000, €2,450,000, Canadian \$4,407,000 and Australian \$3,000,000 and pay a fixed GBP sterling amount. The fair value of these contracts was calculated by determining what the Company would be expected to receive or pay on termination of each individual contract by comparison to present market prices. The key assumptions used in valuing the derivatives are the exchange rates for GBP:USD and GBP:EUR.

##### *LME derivative contracts*

The Company enters into LME derivative contracts on behalf of the Group to hedge a portion of the Group's price exposure of purchases of aluminium. At 31 December 2017, the outstanding contracts all mature within 12 months (2016 – 18 months of the year end). At 31 December 2017, the Company has hedged 3,000 metric tons of aluminium for supply (2016 – 6,000 metric tons), using its ancillary banking facilities. The fair value of these contracts has been calculated by valuing the contracts against the equivalent forward rates quoted on the LME.

##### *Fair value hierarchy*

At 31 December 2017, the following hierarchy for determine and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) process 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.

Our forward currency exchange rate contracts are all Level 2 financial derivatives.

#### 20. Pensions

The Company participates in both defined benefit and defined contribution pension plans. The principal defined benefit pension plan is the Luxfer Group Pension Plan ('LGPP'), which closed to new members in 1998, new employees then being eligible for a defined contribution plan. The assets of the LGPP are held in separate trustee administered funds. The pension cost of the LGPP is assessed in accordance with the advice of an independent firm of actuaries, Lane, Clark & Peacock LLP. The latest actuarial valuation of the LGPP was carried out as at 5 April 2015. The pension cost for the defined benefit pension plans for the Company was nil (2016 – £20,000).

As the ultimate parent company, Luxfer Holdings PLC, is considered the sponsor of the LGPP, the plan is accounted for as a defined contribution plan. With effect from April 2004 the LGPP 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 introduced to mitigate against the risk of further 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. Under the valuation methodology set out in IAS 19R, 'Employee benefits', the LGPP shows a deficit of £32,097,000 as at 31 December 2017 (2016 – £43,653,000). Full details relating to the LGPP can be found in the financial statements of Luxfer Holdings PLC.

# LUXFER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

### 20. Pensions (Continued)

During 2017, the Company made contributions to the LGPP of £97,000 (2016 – £112,000) to fund the Pension Protection Fund Levy in this plan and of £2,513,000 (2016 – £2,426,000) in relation to the LGPP deficit payments.

In October 2009, the Group's registered defined contribution arrangements were switched from a trust based occupational plan to a group personal pension plan. The principal defined contribution plan in which the Company's employees participate is now the Luxfer Group Retirement Savings Plan. Contributions made by the Company to defined contribution plans amounted to £197,000 (2016 – £128,000).

### 21. Commitments under operating leases

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and Buildings 2017 £000	Other 2017 £000	Land and Buildings 2016 £000	Other 2016 £000
Not later than one year .....	—	15	88	18
Later than one year and not later than five years.....	—	24	—	10
Later than five years.....	—	—	—	—
	<u>—</u>	<u>39</u>	<u>88</u>	<u>28</u>

### 22. Share-based compensation

During the year, equity awards over the shares in the ultimate parent undertaking, Luxfer Holdings PLC, were granted to senior employees of Luxfer Group Limited.

	2017 £000	2016 £000
Share-based compensation charges .....	<u>730</u>	<u>44</u>

There were no cancellations or modifications to the awards in 2017.

The weighted average remaining contractual life of the share awards in the group schemes outstanding as at 31 December 2017 was 2.4 years (2016 – 3.0 years). The weighted average fair value of options granted in the group schemes during the year was \$9.82 (2016 – \$9.39). The weighted average exercise price for options outstanding in the group schemes at 31 December 2017 was \$6.42 (2016 – \$8.51).

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

	2017	2016
Dividend yield (%).....	4.00	4.00
Expected volatility range (%).....	26.81 – 35.81	29.73 – 38.73
Risk-free interest rate (%) .....	1.00 – 2.01	0.36 – 1.05
Expected life of share options range (years) .....	0.50 – 7.36	1 – 3.5
Weighted average exercise price (\$) .....	\$0.65	\$0.67
Model used.....	Black-Scholes	Black-Scholes

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

# LUXFER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

### 22. Share-based compensation (Continued)

#### *Employee share incentive plans*

In December 2013, the ultimate parent undertaking, Luxfer Holdings PLC, implemented an Employee Share Incentive Plan (the "SIP") in the U.K. Under the plan, all employees with at least six months of service with the group and who are employed by a participating group company are entitled to contribute up to 10% of basic pay each month, subject to a £150 maximum. The SIP trustees buy shares (partnership shares) every 6 months at market value with the employees' contributions. For every two partnership shares purchased, the group purchases (or allots and issues) one share (matching shares) which is allocated to the employee. In the U.K. SIP, if the employee sells or transfers partnership shares within three years from the date of allocation, the linked matching shares are forfeited.

### 23. Financial risk management objectives and policies

The Company's financial instruments comprise bank and other loans, derivatives and trade payables. Other than derivatives, the main purpose of these financial instruments is to raise and provide finance for the Luxfer Group's operations. The Company also has various financial assets such as intercompany loans and cash and cash equivalents.

A Treasury Committee, chaired by the Chief Finance Officer, 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.

Some of the main risks arising from the Company's financial instruments are cash flow interest rate risk and foreign currency translation risk.

The Company 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 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, interest rate caps and swaps. The revolving credit facility at 31 December, 2017 was £nil (2016: £nil).

Furthermore, the Company has exposure to variable interest rates with regards to the intercompany loans which it holds. If the LIBOR rate were to change by 1%, based on the balance on the intercompany loans at 31 December, 2017, this would impact the interest cost by approximately £200,000 (2016: £200,000).

#### *Foreign currency translation risk*

The Company provides finance to a number of group undertakings who operate within the U.S. and the rest of Europe. Therefore, the Company is exposed to translation risk on both its income statement, based on average exchange rates, and its balance sheet with regards to period end exchange rates.

### 24. Related party disclosures

The Company is a wholly owned subsidiary of Luxfer Holdings PLC and has taken advantage of the exemption under FRS 101 not to disclose transactions with other group companies.

See Note 7 for disclosure of the Directors' remuneration.

## **LUXFER GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

#### **25. Parent undertaking and controlling party**

The immediate and ultimate parent undertaking and controlling party is Luxfer Holdings PLC, which is registered in England and Wales. The Company is included in the consolidated financial statements of Luxfer Holdings PLC which is the smallest and largest group in which the Company is consolidated. Copies of Luxfer Holdings PLC's financial statements may be obtained from the Company Secretary, Lumns Lane, Manchester, M27 8LN.