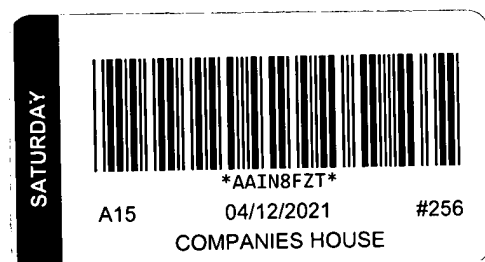


Registered No. 03944037

LUXFER GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2020



LUXFER GROUP LIMITED

STRATEGIC REPORT

Strategic review

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

During 2020, the interest receivable and similar income of the Company increased by £626,000 to £766,000 which arose due to increased interest receivable from group undertakings. Interest payable and similar expenses has increased from £1,704,000 to £2,147,000 due to an increase in the average borrowings during the year.

Administrative expenses (excluding exceptional items) decreased by £304,000 to £5,231,000 and included contributions to the Luxfer Group Pension Plan (LGPP) of £97,000 (2019 – £144,000) to fund the Pension Protection Fund Levy (PPF levy) in this scheme and £2,255,000 (2019 – £2,241,000) in relation to the LGPP deficit payments.

Overall, the net assets of the Company decreased from £11,083,000 to £9,281,000 as at 31 December 2020.

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 21 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 PPF levy which has added costs to the U.K. plan. In 2020, the cost of the PPF levy to the Company decreased to £97,000 from £144,000. 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.

Coronavirus disease outbreak

In December 2019, the 2019 novel coronavirus disease (COVID-19) surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020, with respect to the outbreak. Subsequently several countries, including the United States, United Kingdom, Japan and Australia have implemented measures that have restricted movement of people and certain goods and services.

This widespread health crisis has adversely affected the global economy, resulting in an economic downturn that could impact demand for our products.

With many countries in 'lockdown', non-essential manufacturers and suppliers have been forced to shut down operations. This has caused disruptions from the temporary closure of third-party supplier and manufacturer facilities and interruptions in product supply. Disruption to our suppliers and falling demand of our customers will likely impact our sales and operating results.

To date the outbreak has not had a material adverse impact on our operations. However, the future impact is highly uncertain and cannot be predicted and there is no assurance that the outbreak will not have a material adverse impact on the future results of the Group. The extent of the impact, if any, will depend on future developments, including actions taken to contain the coronavirus.

LUXFER GROUP LIMITED

STRATEGIC REPORT (Continued)

Financial instruments (Continued)

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 17), these loans are usually made on a variable interest rate basis pegged to either a short or medium-term LIBOR rate (to be replaced by SONIA once LIBOR is phased out by the end of 2021) 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.

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 2020, the Company had loans payable of £936,000 (2019: £531,000) in Australian dollars, £793,000 (2019: £807,000) in euros and £9,144,000 (2019: £7,148,000) in Canadian dollars.

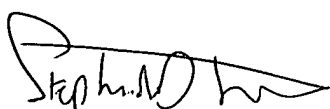
Foreign currency risk

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 29 June 2021



S M D Webster
Director

LUXFER GROUP LIMITED

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 December 2020.

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 profit for the financial year amounted to £468,000 (2019 – profit of £4,771,000). An interim dividend of £12,000,000 was paid during the year (2019 – £nil). The Directors do not recommend the payment of a final dividend (2019 – £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 Company has a net current liability position of £28,110,000, predominantly due to loans owed to Group undertakings. However, the Company has access to a \$100 million revolving credit facility which it can draw down on for at least the next 12 months. Additionally, the Company's subsidiaries are profitable and can pay dividends if required. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

Impact of COVID-19

In December 2019, the 2019 novel coronavirus disease (COVID-19) surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020, with respect to the outbreak. Subsequently several countries, including the United States, United Kingdom, Japan and Australia have implemented measures that have restricted movement of people and certain goods and services.

This widespread health crisis has adversely affected the global economy, resulting in an economic downturn that could impact demand for our products.

With many countries in 'lockdown', non-essential manufacturers and suppliers have been forced to shut down operations. This has caused disruptions from the temporary closure of third-party supplier and manufacturer facilities and interruptions in product supply. Disruption to our suppliers and falling demand of our customers will likely impact our sales and operating results.

To date the outbreak has not had a material adverse impact on our operations. However, the future impact is highly uncertain and cannot be predicted and there is no assurance that the outbreak will not have a material adverse impact on the future results of the Group. The extent of the impact, if any, will depend on future developments, including actions taken to contain the coronavirus.

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:

A Maskara
J M Savage
S M D Webster

J M Savage resigned as Company Secretary on 19 August 2020 and M Glise was appointed on 19 August 2020.

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.

Audit exemption

For the year ended 31 December 2020 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Financial instruments

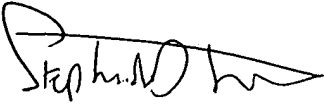
Details of financing and treasury policies, along with the management of treasury risk, use of derivatives, and interest rate and foreign exchange risk can be found in the Strategic Report on pages 1-2.

LUXFER GROUP LIMITED

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 29 June 2021

A handwritten signature in black ink, appearing to read 'S M D Webster', with a stylized flourish at the end.

S M D Webster
Director

LUXFER GROUP LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

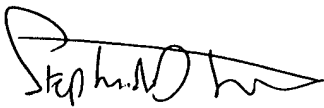
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the 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 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.

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.



S M D Webster
Director

LUXFER GROUP LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

All amounts in thousands

	Note	2020 £000	2019 £000
Income from fixed asset investments	2	6,000	10,000
Interest receivable and similar income	3	766	140
Interest payable and similar expenses.....	4	(2,147)	(1,704)
Net interest payable and similar expenses		(1,381)	(1,564)
Administrative expenses (excluding exceptional items).....		(5,231)	(5,535)
OPERATING (LOSS) / INCOME (BEFORE EXCEPTIONAL ITEMS)		(612)	2,901
Exceptional items	5	—	(17)
OPERATING (LOSS) / INCOME	6	(612)	2,884
(LOSS) / INCOME BEFORE TAXATION		(612)	2,884
Income tax credit	8	1,080	1,887
INCOME FOR THE FINANCIAL YEAR		468	4,771
Attributable to:			
Equity shareholders		468	4,771

There is no comprehensive income for the years ended 31 December 2020 and 2019. Therefore, no separate Statement of Comprehensive Income has been presented.

The notes on pages 9 to 25 are an integral part of these financial statements.

LUXFER GROUP LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2020

All amounts in thousands

	Note	31 December 2020 £000	31 December 2019 £000
ASSETS			
Non-current assets			
Property, plant and equipment.....	9	1	3
Right-of-use assets	11	2	11
Intangible assets	10	360	501
Investments	12	39,700	39,700
Deferred income taxes.....	13	328	90
		<u>40,391</u>	<u>40,305</u>
Current assets			
Trade and other receivables.....	14	64,706	60,558
Cash and cash equivalents.....	15	1,742	3,645
		<u>66,448</u>	<u>64,203</u>
TOTAL ASSETS		<u>106,839</u>	<u>104,508</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Called up share capital	16	6,100	6,100
Capital contribution reserve		3,069	2,620
Retained earnings		112	11,644
Hedging reserve.....		—	—
Capital and reserves attributable to the Company's equity shareholders ...		<u>9,281</u>	<u>20,364</u>
Total equity		<u>9,281</u>	<u>20,364</u>
Non-current liabilities			
Loan owed to ultimate parent undertaking.....	17	—	5,003
Loans owed to group undertakings.....	17	—	20,000
Bank loans and overdrafts	18	3,000	13,250
Lease liability	11	—	4
		<u>3,000</u>	<u>38,257</u>
Current liabilities			
Lease liability	11	2	7
Trade and other payables.....	19	94,556	45,880
		<u>94,558</u>	<u>45,887</u>
Total liabilities.....		<u>97,558</u>	<u>84,144</u>
TOTAL EQUITY AND LIABILITIES		<u>106,839</u>	<u>104,508</u>

Audit Exemption Statement

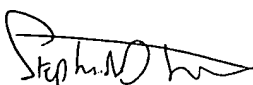
For the year ended 31 December 2020 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts

The notes on pages 9 to 25 are an integral part of these financial statements.

The financial statements on pages 5 to 25 were approved by the Board on 29 June 2021 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 2020

All amounts in thousands

	Note	Called up share capital £000	Capital contribution reserve £000	Retained earnings £000	Hedging reserve £000	Total equity £000
At 1 January 2019.....		6,100	1,737	6,789	84	14,710
Profit for the financial year.....		—	—	4,771	—	4,771
Transfer between reserves		—	—	84	(84)	—
Total comprehensive income for the year		—	—	4,855	(84)	4,771
Capital contribution in respect of share-based compensation charges.....	22	—	883	—	—	883
Other changes in equity in the year		—	883	—	—	883
At 31 December 2019.....		6,100	2,620	11,644	—	20,364
Profit for the financial year.....		—	—	468	—	468
Total comprehensive income for the year		—	—	468	—	468
Dividends paid.....		—	—	(12,000)	—	(12,000)
Capital contribution in respect of share-based compensation charges.....	22	—	449	—	—	449
Other changes in equity in the year		—	449	(12,000)	—	(11,551)
At 31 December 2020.....		6,100	3,069	112	—	9,281

The notes on pages 9 to 25 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 2019.

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

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- 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);
 - 16 (statement of compliance with all IFRSs);
 - 38B-D (additional comparative information);
 - 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)

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:

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

The Company has vehicle leases. Rental contracts are typically made for fixed periods of 12 months to 5 years but may have extension options. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

LUXFER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

1. Accounting policies (Continued)

Leases (continued)

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

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.

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.

LUXFER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

1. Accounting policies (Continued)

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 / dissolution / impairments 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.

Financial assets and liabilities

Trade and other receivables

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery.

The maximum exposure at the end of the reporting period is the carrying amount of these receivables.

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.

LUXFER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

1. Accounting policies (Continued)

Financial assets and liabilities (continued)

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.

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 13.

LUXFER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

1. Accounting policies (Continued)

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

New standards and amendments to standards not applied

The IASB has adopted the following standards and amendments to standards with a mandatory effective date after 1 January 2020:

International Financial Reporting Standards		Mandatory effective date
IAS 1	Presentation of financial statements (amendments)	No earlier than January 1, 2022
IAS 16	Property, Plant Equipment (amendments)	No earlier than January 1, 2022
IAS 37	Onerous Contracts (amendments)	No earlier than January 1, 2022

The Company has taken the exemption under FRS 101 paragraph 8(i) from the IAS 8 requirement to disclose details of a new IFRS which has been issued but is not yet effective and has not been applied by the Company.

2. Income from fixed asset investments

	2020 £000	2019 £000
Dividends received from subsidiary undertakings	<u>6,000</u>	<u>10,000</u>

3. Interest receivable and similar income

	2020 £000	2019 £000
Interest receivable from group undertakings	<u>766</u>	<u>140</u>

4. Interest payable and similar expenses

	2020 £000	2019 £000
Bank loans and overdrafts	931	405
Interest payable to group undertakings	<u>1,216</u>	<u>1,299</u>
	<u>2,147</u>	<u>1,704</u>

LUXFER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

5. Exceptional items

	2020 £000	2019 £000
Rationalisation of operations.....	—	17

During 2019, £17,000 was incurred as part of a Group-wide effort to reduce headcount and streamline management.

6. Operating (loss) / income

This is stated after charging:

	2020 £000	2019 £000
Depreciation (Note 9).....	2	2
Amortisation of other intangibles (charged to administrative expenses) (Note 10).....	141	156
Right-of-use assets depreciation (Note 11).....	9	10
Additional pension contributions to the LGPP (see Note 21).....	2,255	2,241

7. Staff costs

	2020 £000	2019 £000
Wages and salaries	1,272	1,522
Social security costs	159	208
Other pension costs.....	173	262
	<u>1,604</u>	<u>1,992</u>

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

	2020 No.	2019 No.
Administration	<u>17</u>	<u>20</u>

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

	2020 £000	2019 £000
Remuneration (short-term benefits).....	404	477
Share awards.....	444	390
Post-retirement benefits	45	47
Total short-term and post-retirement benefits.....	<u>893</u>	<u>914</u>

During the year two directors (2019 – four) were members 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:

	2020 £000	2019 £000
Remuneration (short-term benefits)	164	178
Share awards	375	304
Post-retirement benefits	26	25
Total short-term and post-retirement benefits	565	507

8. Income tax credit

(a) Analysis of taxation credit for the year

	2020 £000	2019 £000
Current income taxes:		
Group relief	1,287	2,142
Adjustments in respect of previous years	(445)	307
Total current tax credit	842	2,449
Deferred income taxes:		
Origination and reversal of timing differences	(131)	(931)
Adjustments in respect of previous years	369	369
Total deferred income taxes credit / (charge)	238	(562)
Tax credit	1,080	1,887

The income tax credit relates to continuing activities.

(b) Factors affecting the taxation credit for the year

The tax assessed for the year differs from (2019: differs from) the standard rate of 19.00% (2019 – 19.00%) for corporation tax in the U.K.

The differences are explained below:

	2020 £000	2019 £000
(Loss) / profit before taxation	(612)	2,884
(loss) / profit at 2020 standard rate of corporation tax in the U.K. of 19.00% (2019 – 19.00%)	116	(548)
Effects of:		
Non-taxable income / (non-deductible expenses)	1,040	1,759
Adjustments in respect of previous years	(76)	676
Tax credit	1,080	1,887

(c) Factors that may affect future taxation charge

The tax rate in the current year is the same as the prior year.

Changes to the U.K. corporation tax rates were announced as part of the U.K. government's Finance Bill of March 2021, which will increase the rate from 19% to 25% from April 2023. We expect that U.K. deferred taxes will be remeasured based on the anticipated timing of reversal of associated timing differences once the announced rate change has been substantively enacted, expected to be later in 2021.

LUXFER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

9. Property, plant and equipment

	Plant and equipment £000
Cost:	
At 1 January and 31 December 2020	68
Disposals	(61)
At 31 December 2020	7
Accumulated depreciation:	
At 1 January 2020	65
Provided during the year	2
Disposals	(61)
At 31 December 2020	6
Net book values:	
At 31 December 2020	1
At 31 December 2019	3

10. Intangible assets

	Software £000	Goodwill £000	Patents £000	Total £000
Cost:				
At 1 January and 31 December 2020.....	628	2,787	623	4,038
Accumulated amortisation:				
At 1 January 2020.....	254	2,660	623	3,537
Provided during the year	141	—	—	141
At 31 December 2020.....	395	2,660	623	3,678
Net book values:				
At 31 December 2020.....	233	127	—	360
At 31 December 2019.....	374	127	—	501

Goodwill relates to the acquisition of the Magnesium Elektron, MEL Chemicals and Baco Contracts businesses from British Aluminium Limited.

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. Leases

Right-of-use assets

	Motor vehicles £000	Total £000
Cost		
At 1 January 2020 and 31 December 2020	21	21
Accumulated depreciation		
At 1 January 2020	10	10
Charge for the year	9	9
At 31 December 2020	19	19
Net book values		
At 31 December 2020	2	2
At 31 December 2019	11	11

Lease liability

	31 December 2020 £000	31 December 2019 £000
The present value of lease liabilities is as follows:		
Within 12 months	2	7
1 – 5 years	—	4
> 5 years	—	—
	2	11

The total cash outflow for leases in 2020 was £7,000 (2019: £10,000) and total interest expense was £1,000 (2019: £1,000).

At 31 December 2020 the weighted average remaining lease term is 1 year and the weighted average discount rate is 4.46%.

12. Investments

	Subsidiary undertakings £000
Cost:	
At 1 January and 31 December 2020	39,700

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 ²	Ordinary shares	100%	Holding Company
Magnesium Elektron Limited	England and Wales ²	Ordinary shares & preference shares ¹	100% 54%	Manufacturing

¹ 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

² Registered address: Lumns Lane, Manchester, M27 8LN, England

LUXFER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

13. Deferred income taxes

	Losses £000	Retirement benefit obligations £000	Share-based compensation £000	Derivative financial instruments £000	Total £000
At 1 January 2019.....	450	58	148	(4)	652
Charged to income statement	(450)	(58)	(58)	4	(562)
At 1 January 2020.....	—	—	90	—	90
Credited / (charged) to income statement.....	279	—	(41)	—	238
At 31 December 2020.....	279	—	49	—	328

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.

14. Trade and other receivables

	31 December 2020 £000	31 December 2019 £000
Current Assets		
Trade receivables.....	208	208
Amounts owed by group undertakings.....	61,172	43,881
Amounts owed by ultimate parent undertaking.....	—	12,954
Prepayments and other receivables.....	1,668	1,139
Derivative financial instruments.....	—	234
Group relief receivable.....	1,658	2,142
	64,706	60,558

The total trade receivables balance is current (not past due), meaning under the expected credit loss model there is no provision recognised for impairment of trade receivables.

Amounts owed by group undertakings and ultimate parent undertaking are unsecured, repayable on demand.

15. Cash and cash equivalents

	31 December 2020 £000	31 December 2019 £000
Cash at bank and in hand.....	1,742	3,645

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.

16. Called up share capital

	31 December 2020 No.	31 December 2019 No.	31 December 2020 £000	31 December 2019 £000
Authorised:				
Ordinary shares of £1 each	6,100,000	6,100,000	6,100	6,100
Allotted, called up and fully paid:				
Ordinary shares of £1 each.....	6,100,000	6,100,000	6,100	6,100

LUXFER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

17. Non-current liabilities

	31 December 2020 £000	31 December 2019 £000
Loan owed to ultimate parent undertaking	—	5,003
Loans owed to group undertakings	—	20,000
	<u>—</u>	<u>25,003</u>

The loan payable to the Company's ultimate parent company in 2019 totaled £5,003,000 and bore interest at 7% payable half yearly. It was due to expire on 15 June 2021 but was fully repaid in 2020. The loan payable to group undertakings in 2019 totalled £20,000,000 and bore interest at 3% plus 6-month LIBOR. It was due expire on 13 December 2022 but was fully repaid in 2020.

18. Bank loans and overdrafts

	31 December 2020 £000	31 December 2019 £000
Bank loans	<u>3,000</u>	<u>13,250</u>

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.

19. Trade and other payables

	31 December 2020 £000	31 December 2019 £000
Current liabilities		
Trade payables	434	187
Amounts owed to group undertakings	68,509	43,527
Amounts owed to ultimate parent undertaking	23,767	—
Other taxes and social security	52	58
Withholding tax	7	—
Derivative financial instruments	129	18
Accruals and deferred income	1,658	2,090
	<u>94,556</u>	<u>45,880</u>

The Directors consider that the carrying value of trade payables approximates to their fair value. Amounts owed to group undertakings are unsecured and repayable on demand.

20. Financial instruments

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

	31 December 2020 £000	31 December 2019 £000
Financial assets: derivatives	—	234
Financial liabilities: derivatives	(129)	(18)
	<u>(129)</u>	<u>216</u>
Derivative financial instruments are as follows:		
Held to hedge purchases and sales by the Company:		
Forward foreign currency exchange rate contracts	(129)	216

LUXFER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

20. 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 2020, the outstanding contracts all mature within 4 months (2019 – 3 months) of the year end. The Company is committed to sell \$4,100,000, €12,400,000, 13,700,000 Japanese Yen and Canadian \$174,000 and receive a fixed GBP sterling amount (2019 - \$125,000, €8,900,000 and 12,000,000 Japanese Yen). The Company is committed to purchase \$6,600,000, €1,900,000, Canadian \$16,200,000, Australian \$1,600,000 and Chinese Yuan 8,000,000 and pay a fixed GBP sterling amount (2019 - \$1,700,000, €1,000,000, and Canadian \$12,000,000). 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.

Fair value hierarchy

At 31 December 2020, 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.

21. 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 2018. The pension cost for the defined benefit pension plans for the Company was nil (2019 – nil).

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 £33,000,000 as at 31 December 2020 (2019 – £23,100,000). Full details relating to the LGPP can be found in the financial statements of Luxfer Holdings PLC.

During 2020, the Company made contributions to the LGPP of £97,000 (2019 – £144,000) to fund the Pension Protection Fund Levy in this plan and of £2,255,000 (2019 – £2,241,000) 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 £76,000 (2019 – £118,000).

LUXFER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

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.

	2020 £000	2019 £000
Share-based compensation charges	449	883

There were no cancellations or modifications to the awards in 2020.

The weighted average remaining contractual life of the share awards in the group schemes outstanding as at 31 December 2020 was 1.3 years (2019 – 1.3 years). The weighted average fair value of options granted in the group schemes during the year was \$9.41 (2019 – \$17.65). The weighted average exercise price for options outstanding in the group schemes at 31 December 2020 was \$0.87 (2019 – \$0.75).

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

	2020	2019
Dividend yield (%)	3.39 – 4.09	2.10
Expected volatility range (%)	36.48 – 56.28	35.06 – 44.20
Risk-free interest rate (%)	0.18 – 0.49	0.74 – 2.52
Expected life of share options range (years)	0.50 – 4.00	0.50 – 4.00
Weighted average exercise price (\$)	\$1.00	\$1.00
Model used	Black-Scholes & Monte-Carlo	Black-Scholes & Monte-Carlo

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

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.

LUXFER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

All amounts in thousands

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.

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, 2020 was £3,000,000 (2019: £13,250,000).

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, 2020, this would impact the interest cost by nil (2019: £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.

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.