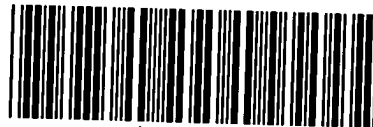


LUXFER GAS CYLINDERS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2022

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LUXFER GAS CYLINDERS LIMITED

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LUXFER GAS CYLINDERS LIMITED

Strategic Report

Strategic review

The Company is a wholly owned subsidiary of Luxfer Holdings PLC (the parent Company of the “Luxfer Group”).

The Company’s gas cylinder business, Luxfer Gas Cylinders, manufactures and markets specialised, highly-engineered cylinders using carbon composites and aluminium. Our key product lines include:

- Carbon composite cylinders and systems for compressed natural gas (‘CNG’) and hydrogen containment in alternative fuel (‘AF’) vehicles.
- Carbon composite cylinders for self-contained breathing apparatus (‘SCBA’), used by firefighters and other emergency-responders. Our products are also used by scuba divers and personnel in potentially hazardous environments, such as mines.
- Cylinders used for the containment of oxygen and other medical gases used by patients, healthcare facilities and laboratories.
- Cylinders used for the containment of speciality gases used in general industry and for the calibration of gas detection and measuring systems.

The Superform U.K. business manufactured and supplied superplastically formed components for the aerospace, automotive, rail, medical and architectural markets. In 2022 and 2021, the results of the business were recognised within discontinued operations. In September 2021, the Superform U.K. business was sold for proceeds of £3,012,000, net of working capital adjustments. However, £741,000 of the consideration was deferred and has subsequently been impaired.

The Company’s key financial and other performance indicators during the year are listed below. Key financial and other performance indicators exclude the impact of discontinued operations. The impact of discontinued operations has been disclosed separately in the income statement. Further information on the impact of discontinued operations can be found in note 9.

	2022	2021	Change
	£000	£000	%
Operating performance:			
Revenue	47,207	48,228	(2.1)
Operating profit (before exceptional items)	1,331	1,995	(33.3)
EBITDA (before exceptional items) (Note 23)	2,213	2,804	(21.1)
Net assets	7,245	9,185	(21.1)
Non-financial performance:			
Average number of employees (continuing operations)	235	238	(1.3)
Number of working days lost following accidents at work (capped at 180 days for each accident)	—	1	(100.0)
ISO14001 Environmental Management System Certification (percentage of revenue originating from ISO 14001-certified business units) (%)	100	100	—

Revenue from continuing operations was £1,021,000 lower compared to 2021, a 2.1% decrease on the prior year. The result was primarily due to reduction in demand for alternative fuel, partially offset by an increase in beverage products.

There was an operating profit (before exceptional items) in the year of £1,331,000, compared to £1,995,000 in 2021. In addition, there were decreased operating expenses of £3,520,000 year on year, largely driven by a one-off contribution to the Group defined benefit pension plan of £2,385,000 in 2021. This reduction was offset by increased cost of sales of £3,043,000 year on year, largely driven by increased material, labour and energy costs. The Company has been constrained by contracts and has been unable to fully pass through these increases to customers. These factors, in addition to decreased revenue year on year, drive the reduction in operating profit.

LUXFER GAS CYLINDERS LIMITED

Strategic Report (continued)

Strategic review (continued)

The EBITDA (before exceptional items) from continuing operations of the Company has decreased to £2,213,000 for 2022 (2021 – £2,804,000), as a result of the factors outlined above. There were exceptional costs in the year of £501,000 (2021 - £675,000), which related to the rationalisation of operations.

Overall, the net assets of the Company decreased by £1,940,000 to £7,245,000 as at 31 December 2022. The decrease was primarily due to the net loss made in the year. The Company made a profit from continuing operations of £29,000 (2021 – profit of £694,000), and a loss from discontinued operations of £2,123,000, resulting in a net loss for the year of £2,094,000.

Principal risks and uncertainties

Exposure to economic conditions – The Company’s operations are exposed to general and local changes in economic conditions over which it has no control. The Company sells products in a variety of industries, including industries that are cyclical in nature and to various economic regions. To the extent that any of these cyclical industries or markets are at the low point in their economic cycle, sales may be adversely affected.

Reliance on major customers – If the Company fails to maintain its relationships with its major customers, or fails to replace customers, or if there were reduced demand from such customers or for the products produced by such customers, it could reduce the Company’s sales and have an adverse effect on the Company’s financial results. Long-term relationships with customers are especially important and the Company’s operations work closely with customers to ensure customer service is the best in the industry and aim to support our customers in their development of new products through our own product innovations and technical know-how.

Competition – The markets for many of the Company’s products are now increasingly global and highly competitive, especially in terms of quality, price and service. The Company could lose market share as a result of these competitive pressures which could negatively impact profit margins. The Company has to continue to invest in new products and aims to focus its resources in niche markets where it can maintain its competitive position.

Reliance on key suppliers – The Company depends upon its larger suppliers for a significant portion of its input components. If the Company fails to maintain its close long-term commercial relationships with key suppliers or fails to develop relationships with other suppliers, it could have a negative impact on results. Maintaining these strong relationships is therefore a key element of the business’s strategy, but loss of a key supplier could be disruptive and hinder profitability.

Risks relating to the group’s retirement benefit funds – The Company is a participating member of the Luxfer Group’s U.K. defined benefit arrangements. This is further explained in note 17. 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, which has added additional costs to the U.K. plan. The Group and the Trustees of the plan closely monitor the financial performance, taking actuarial and investment advice as appropriate.

Protection and development of intellectual property rights and changing industry requirements – As a result of the nature of the competition faced by the Company, its ability to remain profitable depends on its ability to protect intellectual property and to invest in research and development, which requires funding. The Company tries to protect its intellectual property through patents and through reducing the disclosure of commercially sensitive information, it also invests long-term in new products and manufacturing processes and maintains this investment through the business cycle.

Environmental costs and liabilities – The Company may be exposed to environmental costs and liabilities. The Company’s operations are subject to a broad range of environmental laws and regulations. In addition, future developments, such as changes in laws or environmental conditions, may increase environmental costs and liabilities and could have a material adverse effect on the Company in any given year. To mitigate this risk the Company seeks to operate best practice procedures in this area and has attained the ISO 14001 qualification at its manufacturing site.

LUXFER GAS CYLINDERS LIMITED

Strategic Report (continued)

Principal risks and uncertainties (continued)

Product liability and regulatory risks – The Company is exposed to possible claims for personal injury, death or property damage which could result from a failure of a product manufactured by the Company or a third party integrating a Company product. Many factors beyond the Company's control could lead to liability claims, which may in turn lead to product legal claims or disruption in sales to customers. The Company has obtained insurance coverage for most of these types of liabilities. The Company could, however, be required to pay a material amount if a claim is made against it that is not covered by insurance or otherwise subject to indemnification, or that exceeds the insurance coverage that the Group maintains. Moreover, the Company does not currently carry insurance to cover the expense of product liability recalls.

Dependence on key personnel – The Group relies upon a number of key executives and employees. If these and certain other employees ceased to work for the Company or associated group companies, the Company would lose valuable expertise and could become less profitable. In addition, the Company's ability to attract and retain qualified engineering and technical personnel is of continued importance.

Risks relating to interruption of operations and maintenance of key equipment – Any of the Company's facilities could suffer an interruption in production, either at separate times or at the same time, because of various and unavoidable occurrences. Although the Company carries certain levels of business interruption insurance, the cover on certain catastrophic events or natural disasters, is limited, and it is possible that the occurrence of such events may have a significant adverse impact on cash flow. Health and safety is therefore a major consideration in the operation of the Luxfer group manufacturing facilities and carefully monitored, with any issues being reported to the Executive Management Board and the Board of the ultimate parent Company for their assessment.

Exposure to fluctuations in raw material and ability to pass on any increases – The Company is exposed to fluctuations in costs of the raw materials and utilities that are used to manufacture its products and can incur unexpected cost changes. The primary raw material used in manufacturing is aluminium and these prices are pegged directly or indirectly to the quoted London Metal Exchange prices for primary aluminium. This makes the costs subject to speculative commodity cost changes, as well as fundamental supply and demand cost pressures. The Company's operations also buy and sell goods in regional markets that may be protected by tariff barriers. Changes in these tariffs could have an adverse impact on the profitability of the operations. The recovery in demand from the COVID-19 pandemic coupled with the geopolitical conflict in Ukraine, has had business impacts, including increased material cost inflation on key inputs, labour availability issues and energy and transport cost increases. While we aim to pass on cost increases to customers through increased price, there is no guarantee that we will be able to do so in all circumstances.

Effect of international currency markets – Changes in foreign exchange rates or interest rates could cause sales to drop or costs to rise. The Company conducts a large proportion of its commercial transactions, purchases of raw materials and sales of goods in various countries and regions outside of the U.K., including the U.S., continental Europe and Asia. Changes in the relative values of currencies can decrease the profits of the Company's operations through both the translation of profits into GBP sterling or on import and export transactions. To mitigate these risks, the Group regularly enters into forward foreign currency exchange contracts to manage currency risks.

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

LUXFER GAS CYLINDERS LIMITED

Strategic Report (continued)

Principal risks and uncertainties (Continued)

Climate - Although we are working to improve our energy efficiency, our manufacturing processes and the manufacturing processes of many of our suppliers and customers are still energy-intensive and use or generate, directly or indirectly, greenhouse gases. Increased costs of compliance with climate change regulations and the potential impact on energy costs could have a material adverse effect on our results of operations, financial position and cash flows. However, climate change regulation also presents opportunities for Luxfer to develop new product lines and increase sales of climate-friendly products. Information in respect of our emissions and other environmental data is included within the Luxfer Holdings PLC annual report which is available on the Company website.

Effect of external factors due to global nature of our business - Our global presence exposes us to risks, including the potential for adverse changes in the local, social, political, financial or regulatory climate, difficulty in staffing and managing geographically diverse operations, and the costs of complying with a variety of laws and regulations. For example, the Russian invasion of Ukraine and ongoing military conflict which commenced on February 24, 2022, has resulted in massive displacement of the Ukrainian population and huge disruption to its economy. Wide ranging sanctions have been imposed on the Russian Federation by the international community, targeting individuals, banks, businesses, funds transfers and imports and exports and are expected to have a significant adverse impact on Russia's economy as well as on international businesses active in the region.

Coronavirus disease outbreak - The global COVID-19 outbreak, characterized by increased business uncertainty and broad-based market weakness, had an adverse impact on financial results impacting demand across most end markets. The Company took a variety of actions in 2020 to help mitigate the financial impact, including executing additional cost savings measures, reducing capital spending, initiating restructuring actions and proactively managing working capital. Activity in most of the end markets served improved throughout 2021 and 2022 following the adverse impact of COVID-19 on prior year volumes.

Financial instruments

Treasury

The Company does not have a formal treasury function, this function is performed at a group level. The central treasury function controls all borrowing facilities, investment of surplus funds and the management of financial risks. The Board of the Company's ultimate holding Company has approved hedging policies to cover the group's and Company's exposure to interest rates, metal costs and foreign exchange risks.

Foreign exchange risk

Where no natural hedge exists, contractual commitments denominated in foreign currencies are assessed monthly and hedged by means of a forward foreign currency exchange contract.

Future developments

Operating objectives and trends that we expect to impact the Company in 2023 include the following:

- Continuing high activity on revenue growth initiatives with particular focus on increasing volumes;
- Actions to ensure continuity of supply of critical materials and services while safeguarding margins;
- Execution of productivity improvements and increases in selling prices to mitigate and pass through current cost pressure;
- Further improvements in ESG standing through investment in new projects;
- Focus on recruiting, developing and maintaining talent, through our new leadership development programs, while driving a high-performance culture; and
- Continued emphasis on operating cash generation and maintaining strong working capital performance.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The board of directors consider both individually and together, that they have acted in a way they consider, in good faith, would most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006) in the decisions taken during the year ended 31 December 2022. Refer to employee involvement below as to how the Board have engaged with employees during the year.

The Company has adopted governance policies consistent with the Group, headed by Luxfer Holdings PLC. For further information on the governance framework of the Company please see the financial statements of Luxfer Holdings PLC, which are publicly available.

LUXFER GAS CYLINDERS LIMITED

Strategic Report (continued)

Employee involvement

Many employees are directly involved in the performance of the Group, of which the Company is a subsidiary of, through the use of various incentive schemes, these include bonus schemes and various share-related schemes.

A combination of newsletters, regular line manager and team briefings, exchanges and consultations are used to systematically communicate with employees and develop their awareness of matters that concern them. As required, employees are consulted on matters that concern them in an appropriate manner through appropriate channels.

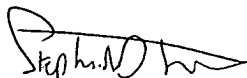
The Company continues to offer training and development opportunities to employees at all levels and to all abilities, providing benefit to both the Company and the employee. Periodically a succession planning review is undertaken to ensure that we develop suitable candidates for critical leadership roles within the Company.

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

Disabled employees

It is the policy of the Company to give full and fair consideration to all applications made by disabled persons for job vacancies, where particular job requirements are within their ability and where possible arrangements are made for the continuing employment of employees who have become disabled. It is also policy to provide for training, career development and promotion of disabled employees employed by the Company.

On behalf of the Board on 23 June 2023



S M D Webster
Director

LUXFER GAS CYLINDERS LIMITED

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

Luxfer Gas Cylinders 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, England, M27 8LN.

Results and dividends

The profit for the financial year from continuing operations amounted to £29,000 (2021 – £694,000), with a loss for the financial year of £2,094,000 (2021 – loss £1,500,000) after the result of discontinued operations. There were no interim dividends paid in the year (2021 - £nil), and the Directors do not recommend payment of a final dividend (2021 - £nil).

Going concern

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of the approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds generated from operations, to meet its liabilities as they fall due for that period.

Demand from most end-markets the Company serves has continued to improve following the adverse impact of COVID-19 on volumes, notably in 2020. This sharp recovery in demand across the global macro environment has resulted in supply chain challenges characterized by significant increases in material cost inflation on key inputs, labour availability issues and energy and transport cost increases. The continuing conflict in Ukraine which has resulted in punitive sanctions against the Russian Federation has further exacerbated the availability and price of certain raw materials and energy supplies. The impact of material availability / inflation and energy cost inflation and labour and transport constraints continued into 2023; however the Company has been able to source sufficient material to meet demand and in the majority of cases the Company has been able to pass on cost increases. The outlook continues to remain highly uncertain with both the size and timing of future cost increases difficult to predict.

Despite the uncertainties discussed above, the Company is expected to generate positive cash from operations for a period of at least 12 months from the date of approval of these financial statements, such that it can meet its liabilities as they fall due for that period.

In addition to the above, the Directors of the Company have sought additional assurances from the Company's ultimate parent, Luxfer Holdings PLC. These assurances give the Company access to additional funding, should an unforeseen event occur which negatively impacts the Company. As a result, Luxfer Holdings PLC have provided a letter of support outlining that Luxfer Gas Cylinders Limited will continue to have access to Group financial support if required to settle its liabilities as they fall due. The Directors have a reasonable expectation that the Group has adequate resources, through existing cash balances and significant undrawn revolving credit facilities, to continue in operational existence for the foreseeable future.

As with any Company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of the approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that through cash generated from operations and access to Group funding if required, the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of the approval of the financial statements. Therefore, the financial statements have been prepared on a going concern basis.

Impact of conflict in Ukraine

The Russian invasion of Ukraine and ongoing military conflict which commenced on February 24, 2022, has resulted in massive displacement of the Ukrainian population and huge disruption to its economy. Wide ranging sanctions have been imposed on the Russian Federation by the international community, targeting individuals, banks, businesses, funds transfers and imports and exports and are expected to have a significant adverse impact on Russia's economy as well as on international businesses active in the region. This is not expected to directly impact the Company as there are no direct operations in the region, and sales to Russia and Ukraine combined typically represent less than one percent of total revenue by destination. Furthermore, neither country is a critical supplier of raw material needs.

In relation to liquidity, the Company has access to a group revolving credit facility and has performed stress testing on financial covenants using current forecast information. Consequently, the Company has not identified any liquidity concerns.

LUXFER GAS CYLINDERS LIMITED

Directors' Report (continued)

Research and development

During the year, the Company invested £156,000 (2021 – £187,000) in research and development of new and improved products and processes.

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 W J Butcher
A Maskara (Resigned 6 May 2022)
S M D Webster
M Lawday (appointed 2 May 2022)

Directors' liabilities and qualifying third party indemnity provisions

During the year, the Company had in force an indemnity provision, which is a qualifying third party indemnity provision, in favour of the Directors against liability in respect of proceedings brought by third parties during the year and up to the date of the approval of these financial statements, subject to the conditions set out in the Companies Act 2006.

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.

Statement of 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 page 5.

Environment, Social and Governance ("ESG") Matters

At Luxfer, we recognise the importance of environmental stewardship, social responsibility, and leading governance practices. Information on our ESG matters can be found in the Strategic Report of Luxfer Holdings PLC's report and accounts, as well as in the 2022 Sustainability Report available on our website at www.luxfer.com/environment-social-and-governance.

Employee involvement

A priority of the Company is the recognition of its employees and involvement of employees in operations. For information on the Company's employee involvement strategies please see the Strategic Report on page 6.

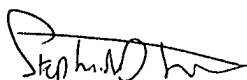
Stakeholder engagement

At Luxfer, when making any decisions which impact the Company, the directors note the importance of the company's business relationships with suppliers, customers and others and how those decisions could impact those groups. The directors take into consideration these stakeholders when making principle decisions, for example in 2020 the decision to divest the Superform U.K. business and classify as discontinued operations.

Future developments

An indication of the likely future developments in the business of the Company can be found in the Strategic Report on page 5.

On behalf of the Board on 23 June 2023



S M D Webster
Director

LUXFER GAS CYLINDERS 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.

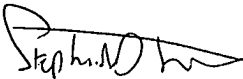
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 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 also 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

23 June 2023

Independent auditors' report to the members of Luxfer Gas Cylinders Limited

Report on the audit of the financial statements

Opinion

In our opinion, Luxfer Gas Cylinders Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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, including 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 2022; the income statement and 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.

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.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2022 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 in respect of the Financial Statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety regulations and environmental legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results, including relating to revenue recognition and adjusted earnings before interest, tax, depreciation and amortisation. Audit procedures performed by the engagement team included:

- obtaining an understanding of the legal and regulatory framework applicable to the company and how the entity is complying with that framework;
- discussions with management, the directors, the company secretary and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- reviewing internal audit reports;
- incorporating an element of unpredictability into our audit procedures; and
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations impacting financial results, revenue recognition and adjusted earnings before interest, tax, depreciation and amortisation.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. 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. 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.


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 obtained 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.



Gregory Briggs (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

23 June 2023

Income Statement

For the year ended 31 December 2022

Note	2022	2022	2022	2021	2021	2021	
	£000s	£000s	£000	£000s	£000s	£000	
	Continuing	Discontinued	Total	Continuing	Discontinued	Total	
REVENUE	2	47,207	—	47,207	48,228	7,856	56,084
Cost of sales		(42,286)	—	(42,286)	(39,243)	(7,469)	(46,712)
GROSS PROFIT		4,921	—	4,921	8,985	387	9,372
Operating expenses (excluding exceptional items)	4	(3,590)	—	(3,590)	(7,110)	(1,309)	(8,419)
Other operating income	4	—	—	—	120	—	120
OPERATING PROFIT / (LOSS) (BEFORE EXCEPTIONAL ITEMS)		1,331	—	1,331	1,995	(922)	1,073
Loss on disposal	9	—	—	—	—	(1,188)	(1,188)
Exceptional items	5	(501)	(2,123)	(2,624)	(675)	(287)	(962)
OPERATING PROFIT / (LOSS)	3	830	(2,123)	(1,293)	1,320	(2,397)	(1,077)
Interest (payable) / receivable		(489)	—	(489)	(361)	37	(324)
PROFIT / (LOSS) BEFORE TAXATION		341	(2,123)	(1,782)	959	(2,360)	(1,401)
Income tax (expense) / credit	8	(312)	—	(312)	(265)	166	(99)
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		29	(2,123)	(2,094)	694	(2,194)	(1,500)
Attributable to:							
Equity shareholders		29	(2,123)	(2,094)	694	(2,194)	(1,500)

There is no additional comprehensive income for the years ended 31 December 2022 and 2021. Therefore, no separate Statement of Other Comprehensive Income has been presented.

The notes on pages 16 to 35 are an integral part of these financial statements.

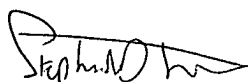
Balance Sheet

As at 31 December 2022

	31 December 2022 £000	31 December 2021 £000	
ASSETS			
Non-current assets			
Intangible assets	11	19	28
Property, plant and equipment	10	4,479	4,467
Right-of-use assets	19	2,687	5,180
Deferred tax assets	18	435	796
		<u>7,620</u>	<u>10,471</u>
Current assets			
Inventories	12	11,480	8,346
Trade and other receivables	13	9,617	6,626
Cash and cash equivalents	14	1	1
		<u>21,098</u>	<u>14,973</u>
TOTAL ASSETS		<u><u>28,718</u></u>	<u><u>25,444</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Called up share capital	15	3,000	3,000
Capital contribution reserve		6,229	6,075
Retained (deficit) / earnings		(1,984)	110
Capital and reserves attributable to the Company's equity shareholders		<u>7,245</u>	<u>9,185</u>
TOTAL EQUITY		<u><u>7,245</u></u>	<u><u>9,185</u></u>
Creditors: amounts due after more than one year			
Lease liability	19	4,348	4,798
		<u>4,348</u>	<u>4,798</u>
Creditors: amounts due within one year			
Trade and other payables	16	16,675	11,030
Lease liability	19	450	431
		<u>17,125</u>	<u>11,461</u>
TOTAL LIABILITIES		<u><u>21,473</u></u>	<u><u>16,259</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>28,718</u></u>	<u><u>25,444</u></u>

The notes on pages 16 to 35 are an integral part of these financial statements.

The financial statements on pages 13 to 35 were approved by the Board on 23 June 2023 and signed on its behalf by:



S M D Webster
Director

Company Registration No. 03376625

Statement of Changes in Equity
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £000	Capital contribution reserve £000	Retained (deficit) / earnings £000	Total equity £000
At 1 January 2021	3,000	5,923	1,610	10,533
Loss for the financial year	—	—	(1,500)	(1,500)
Total comprehensive loss for the year	—	—	(1,500)	(1,500)
Capital contribution in respect of share-based compensation charges	—	152	—	152
20	—	152	—	152
Other changes in equity in the year	—	—	—	—
At 31 December 2021	3,000	6,075	110	9,185
Loss for the financial year	—	—	(2,094)	(2,094)
Total comprehensive loss for the year	—	—	(2,094)	(2,094)
Capital contribution in respect of share-based compensation charges	—	154	—	154
20	—	154	—	154
Other changes in equity in the year	—	—	—	—
At 31 December 2022	3,000	6,229	(1,984)	7,245

The notes on pages 16 to 35 are an integral part of these financial statements.

All profits and losses incurred during the year have been permanently transferred to retained deficit (2021: retained earnings).

Notes to the Financial Statements

1. Accounting policies

Basis of preparation

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 and on the going concern basis as disclosed in the statement of going concern as set out in the Directors' Report.

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 International accounting standards in conformity with the requirements of the Companies Act 2006.

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 2021.

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).
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127.
- 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.

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

Notes to the Financial Statements (continued)

1. Accounting policies (Continued)

Going concern

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of the approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds generated from operations, to meet its liabilities as they fall due for that period.

Demand from most end-markets the Company serves has continued to improve following the adverse impact of COVID-19 on volumes, notably in 2020. This sharp recovery in demand across the global macro environment has resulted in supply chain challenges characterized by significant increases in material cost inflation on key inputs, labour availability issues and energy and transport cost increases. The continuing conflict in Ukraine which has resulted in punitive sanctions against the Russian Federation has further exacerbated the availability and price of certain raw materials and energy supplies. The impact of material availability / inflation and energy cost inflation and labour and transport constraints continued into 2023; however the Company has been able to source sufficient material to meet demand and in the majority of cases the Company has been able to pass on cost increases. The outlook continues to remain highly uncertain with both the size and timing of future cost increases difficult to predict.

Despite the uncertainties discussed above, the Company is expected to generate positive cash from operations for a period of at least 12 months from the date of approval of these financial statements, such that it can meet its liabilities as they fall due for that period.

In addition to the above, the Directors of the Company have sought additional assurances from the Company's ultimate parent, Luxfer Holdings PLC. These assurances give the Company access to additional funding, should an unforeseen event occur which negatively impacts the Company. As a result, Luxfer Holdings PLC have provided a letter of support outlining that Luxfer Gas Cylinders Limited will continue to have access to Group financial support if required to settle its liabilities as they fall due. The Directors have a reasonable expectation that the Group has adequate resources, through existing cash balances and significant undrawn revolving credit facilities, to continue in operational existence for the foreseeable future.

As with any Company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of the approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that through cash generated from operations and access to Group funding if required, the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of the approval of the financial statements. Therefore, the financial statements have been prepared on a going concern basis.

In relation to liquidity, the Company has access to a group revolving credit facility (see Note 22) and has performed stress testing on financial covenants using current forecast information. Consequently, the Company has not identified any liquidity concerns.

Impact of conflict in Ukraine

The Russian invasion of Ukraine and ongoing military conflict which commenced on February 24, 2022, has resulted in massive displacement of the Ukrainian population and huge disruption to its economy. Wide ranging sanctions have been imposed on the Russian Federation by the international community, targeting individuals, banks, businesses, funds transfers and imports and exports and are expected to have a significant adverse impact on Russia's economy as well as on international businesses active in the region. This is not expected to directly impact the Company as there are no direct operations in the region, and sales to Russia and Ukraine combined typically represent less than one percent of total revenue by destination. Furthermore, neither country is a critical supplier of raw material needs.

Notes to the Financial Statements (continued)

1. Accounting policies (Continued)

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.

Other intangible assets

Other intangible assets are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives as follows:

Technology and trading related	10 – 25 years
Development costs	5 – 10 years
Software	4 – 7 years

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

Revenue

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The majority of the Company’s contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and, therefore, not distinct. There is no variable consideration or obligations for returns, refunds, and no other related obligations in the Company’s contracts.

Payment terms and conditions vary by contract type and may include a requirement of payment in advance. In general, our payment terms are 30 to 60 days. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined its contracts do not include a significant financing component.

The Company’s revenue is primarily derived from the following sources and is recognised when or as the Company satisfies a performance obligation by transferring a good or service to a customer.

Product revenues

We recognise revenue when it is realised or realisable and has been earned. Revenue is recognised when the following are met: (i) persuasive evidence of an arrangement exists; (ii) shipment or delivery has occurred (depending on the terms of the sale), which is when the transfer of product or control occurs; (iii) our price to the buyer is fixed or determinable; and (iv) the ability to collect is reasonably assured. Transaction prices are determined depending on terms agreed with customers, revenue is recognised in line with the amount invoiced to customers.

Tooling revenue

With the sale of our Superform business in 2021, there is no tooling revenue recognised in 2022 and all tooling revenue in 2021 was recognised within discontinued operations. Revenue from certain long-term tooling contracts was recognised over the contractual period under the cost-to-cost measure of progress as this is when the benefit was received by the customer. Incremental direct costs associated with the contract include, direct labour hours, direct raw material costs and other associated costs. Under this method, sales and gross profit were recognised as work was performed either based on the relationship between the actual costs incurred and the total estimated costs at completion (“the cost-to-cost method”) or based on efforts for measuring progress towards completion in situations in which this approach was more representative of the progress on the contract than the cost-to-cost method. We recorded costs and earnings in excess of billings on uncompleted contracts within Trade and other receivables and billings in excess of costs and earnings on uncompleted contracts within Trade and other payables in the Balance Sheet. There were no such items recognised at 31 December 2022 or 2021. Where customer acceptance is on final completion and handover of the tool, revenue was recognised at the point the customer accepted ownership of the tool.

Notes to the Financial Statements (continued)

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. As a result of the complexity of our manufacturing process, there is a wide range of plant and equipment in operation. The rate of annual charge is summarised as follows:

Leasehold land and buildings (Long or short-term)	The lesser of life of lease or freehold rate
Plant and equipment	4% – 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.

Inventories

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

Research and development

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

Foreign currencies

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.

Notes to the Financial Statements (continued)

1. Accounting policies (Continued)

Current and deferred taxes

The tax credit / expense for the year 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 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 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 tax asset is realised or the deferred tax liability is settled.

Deferred 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 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 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 leases various buildings, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 months to 5 years, although building leases tend to be longer, 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.

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.

Notes to the Financial Statements (continued)

1. Accounting policies (Continued)

Leases (continued)

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.

Bank and other loan interest

Finance costs related to bank and other loans are charged to the income statement when incurred.

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.

Notes to the Financial Statements (continued)

1. Accounting policies (Continued)

Separate disclosure of expenses or income – exceptional items

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:

- Restructuring of the activities of the Company and reversals of any provisions for the costs of restructuring;
- impairment of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;
- disposals of items of property, plant and equipment;
- 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, short-term deposits with an original maturity date of three months or less, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

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. The Company 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 expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 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.

Trade payables

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

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.

Notes to the Financial Statements (continued)

1. Accounting policies (Continued)

Other operating income

Royalty income

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

Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held-for-sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

Critical accounting judgements and key sources of estimation uncertainty

Management have reviewed the assets and liabilities on the balance sheet as at 31 December 2022 and do not consider there to be any key sources of estimation uncertainty which give rise to a significant risk of causing a material adjustment to the carrying values of those assets and liabilities within the next financial year.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended standards and interpretations during the year that are applicable to the Company. Adoption of these revised standards and interpretations did not have any significant effect on the consolidated financial statements of the Company.

The IASB has issued the following significant amendments to standards with a mandatory effective date on or after January 1, 2022:

International Financial Reporting Standards		Effective date
IAS 1	Presentation of financial statements (amendments)	No earlier than January 1, 2024
IAS 12	Income Taxes	No earlier than January 1, 2023
IAS 16	Property, plant and equipment (amendments)	No earlier than January 1, 2022
IFRS 3	Business combinations (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.

Notes to the Financial Statements (continued)

2. Revenue

An analysis of revenue for continuing activities by geographical market is given below:

	U.K. £000	Rest of Europe £000	Africa £000	Americas £000	Australasia £000	Asia £000	Total £000
Revenue							
Year ended 31 December 2022	10,466	22,547	31	4,754	2,092	7,317	47,207
Year ended 31 December 2021	11,854	22,063	259	3,723	926	9,403	48,228

The Company's performance obligations were satisfied over time as work progresses or at a point in time. However, with the reclassification of our Superform U.K. business as discontinued operations, none of the Company's revenue from continuing operations is satisfied over time. As a result, the Company's contract receivables, contract assets and contract liabilities at December 31, 2022 and December 31, 2021 are £nil.

3. Operating profit / (loss)

Operating profit / (loss) from continuing activities is stated after charging / (crediting):

	2022 £000	2021 £000
Research and development expenditure charged to the income statement	156	187
Depreciation of property, plant and equipment (Note 10)	503	581
Right-of-use assets depreciation (Note 19)	370	223
Amortisation of intangible assets (charged to administrative expenses) (Note 11)	9	5
Rationalisation of operations (Note 5)	501	675
(Impairment reversal) / impairment of trade receivables (Note 13)	(5)	4
Share-based compensation charges (Note 20)	154	152
Audit fees (Note 6)	67	48
Staff costs (excluding redundancy) (Note 7)	10,947	11,272
Pension contributions to the U.K. defined benefit pension plan (Note 17)	49	2,434
Cost of inventories recognised as expense	23,762	22,068
Foreign exchange differences	(177)	352

4. Operating expenses and income

	2022 £000	2021 £000
Operating expenses:		
Distribution costs	577	778
Administrative expenses	3,013	6,332
	3,590	7,110
Other operating income:		
Royalty income	—	120
	—	120

The above tables refer to continuing operations only.

Notes to the Financial Statements (continued)

5. Exceptional items

	2022 £000	2021 £000
Rationalisation of operations	<u>501</u>	<u>675</u>

The above tables refer to continuing operations only.

During 2019, the Group's French Facility was closed, with production being transferred to either the Group's U.S. or U.K. facilities. Costs in respect of the closure of this facility continue to be incurred, resulting in £501,000 of costs in 2022 and £675,000 of costs in 2021

6. Fees payable to auditors

Fees paid to the auditors for the U.K. audit was £67,000, (2021 – £48,000) and non-audit service was £nil (2021 – £nil). These fees were borne by associated group undertakings and subsequently recharged for the years ended 31 December 2022 and 31 December 2021.

7. Staff costs

	2022 £000	2022 £000	2022 £000	2021 £000	2021 £000	2021 £000
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Wages and salaries	9,305	—	9,305	9,686	3,177	12,863
Social security costs	953	—	953	997	296	1,293
Other pension costs	689	—	689	589	135	724
	<u>10,947</u>	<u>—</u>	<u>10,947</u>	<u>11,272</u>	<u>3,608</u>	<u>14,880</u>

The average monthly number of employees relating to continuing activities during the year was made up as follows:

	2022 £000	2022 £000	2022 £000	2021 £000	2021 £000	2021 £000
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Production and distribution	216	—	216	218	60	278
Sales and administration	18	—	18	19	7	26
Research and development	1	—	1	1	—	1
	<u>235</u>	<u>—</u>	<u>235</u>	<u>238</u>	<u>67</u>	<u>305</u>

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

	2022 £000	2022 £000	2022 £000	2021 £000	2021 £000	2021 £000
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Remuneration (short-term benefits)	165	—	165	—	—	—
Share exercised	15	—	15	—	—	—
Post-retirement benefits	8	—	8	—	—	—
	<u>188</u>	<u>—</u>	<u>188</u>	<u>—</u>	<u>—</u>	<u>—</u>

During the year, one director was a member of both the defined benefit plan and defined contribution plan (2021 – one); and two directors (2021 – one) were members of the defined contribution plan. Also, during the year, four directors, (2021 – three) exercised share options.

A Maskara and A Butcher were also directors of the ultimate parent Company, Luxfer Holdings PLC, and fellow subsidiaries. Details regarding their emoluments are disclosed in the financial statements of those companies and those emoluments are borne by fellow subsidiaries.

S M D Webster was also a director of Luxfer Holdings PLC's fellow U.K. subsidiaries. His emoluments are borne by Luxfer Group Limited and disclosed in the financial statements of that Company.

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 charge for these services are made to the Company.

Notes to the Financial Statements (continued)

7. Staff costs (continued)

The emoluments of the highest paid director borne by the Company were as follows:

	2022 £000	2021 £000
Remuneration (short-term benefits)	165	—
Post-retirement benefits	8	—
Total short-term and post-retirement benefits	<u>173</u>	<u>—</u>

8. Income tax expense

(a) Analysis of taxation expense for the year

	2022 £000	2021 £000
Current income taxes:		
Corporation tax	(615)	296
Group relief	693	—
Adjustments in respect of previous years	(127)	20
Total current tax (credit) / charge	<u>(49)</u>	<u>316</u>
Deferred taxes:		
Origination and reversal of timing differences	351	(264)
Adjustments in respect of previous years	10	47
Total deferred taxes charge / (credit)	<u>361</u>	<u>(217)</u>
Tax charge	<u>312</u>	<u>99</u>

(b) Factors affecting the taxation (credit) / expense for the year

The tax assessed for the year is lower (2021: lower) from the standard rate of 19.00% (2021: 19.00%) for corporation tax in the U.K.

The differences are explained below:

	2022 £000	2021 £000
Loss before taxation	<u>(1,782)</u>	<u>(1,401)</u>
Taxation at standard rate of corporation tax in the U.K. of 19.00% (2021 – 19.00%)	(339)	(266)
Effects of:		
Non-deductible expenses	(28)	283
Tax incentives	29	(4)
Other	162	19
Group relief	693	—
Changes in tax rates	(88)	—
Adjustments in respect of previous years	(117)	67
Total tax charge	<u>312</u>	<u>99</u>

(c) Factors that may affect future taxation charge

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

In March 2021 an increase in the U.K. corporation tax rate from 19% to 25% was announced, effective from April 1, 2023. Deferred tax liabilities and assets which unwind after April 1, 2023 have been valued at 25%.

Notes to the Financial Statements (continued)

9. Discontinued Operations

Our Superform aluminium superplastic forming business formed part of the Luxfer Gas Cylinders Limited legal entity. The business was sold in 2021 and prior to this, we reflected its results of operations as discontinued operations in the Income Statement for all periods presented.

The result from discontinued operations is summarized as follows:

	December 31, 2022 £000	December 31, 2021 £000
Loss from operations	(2,123)	(1,006)
Loss on disposal	—	(1,188)
Loss from discontinued operations	(2,123)	(2,194)

In September 2021, our Superform U.K. business was sold for an initial cash price of £3,012,000, net of working capital adjustments.

In accordance with IFRS 9, to measure the expected credit losses, the historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability to recover receivables. As the business was sold to a recently formed entity with a lack of credit history, in 2021, the Group recognised an impairment to proceeds receivable of £741,000, representing the amount of deferred consideration.

The Group recognised a total loss on disposal, net of tax, of £1,188,000. The table below outlines the loss on disposal:

	2021 £000
Net proceeds	3,012
Net assets disposed	(3,459)
Impairment	(741)
Loss on disposal	(1,188)

Result of discontinued operations were as follows:

	2022 £000	2021 £000
REVENUE	—	7,856
Cost of sales	—	(7,469)
GROSS PROFIT	—	387
Operating expenses (excluding exceptional items)	—	(1,309)
OPERATING LOSS (BEFORE EXCEPTIONAL ITEMS)	—	(922)
Exceptional items	(2,123)	(287)
OPERATING LOSS	(2,123)	(1,209)
Interest receivable	—	37
LOSS BEFORE TAXATION	(2,123)	(1,172)
Income tax credit	—	166
LOSS FROM DISCONTINUED OPERATIONS	(2,123)	(1,006)

The £2,123,000 exceptional item in the year relates to impairment charges to leases relating to our previous Superform sites. The £287,000 in 2021 relates to disposal related costs and redundancy activity undertaken at our Superform sites.

Notes to the Financial Statements (continued)

10. Property, plant and equipment

	Long leasehold £000	Plant and equipment £000	Assets under construction £000	Total £000
Cost:				
At 1 January 2022	3,450	16,976	115	20,541
Additions	—	—	524	524
Transfers	—	65	(65)	—
Disposals	(5)	(151)	—	(156)
At 31 December 2022	3,445	16,890	574	20,909
Accumulated depreciation and impairment:				
At 1 January 2022	2,436	13,638	—	16,074
Provided during the year	68	435	—	503
Disposals	(5)	(142)	—	(147)
At 31 December 2022	2,499	13,931	—	16,430
Net book values:				
At 31 December 2022	946	2,959	574	4,479
At 31 December 2021	1,014	3,338	115	4,467

Long and short leasehold

The long leasehold costs relate to leasehold property improvements.

11. Intangible assets

	Technology and trading related £000	Software £000	Total £000
Cost:			
At 1 January 2022	798	31	829
Disposals	—	(11)	(11)
At 31 December 2022	798	20	818
Accumulated amortisation and impairment:			
At 1 January 2022	782	19	801
Provided during the year	5	4	9
Disposals	—	(11)	(11)
At 31 December 2022	787	12	799
Net book values:			
At 31 December 2022	11	8	19
At 31 December 2021	16	12	28

Notes to the Financial Statements (continued)

12. Inventories

	31 December 2022 £000	31 December 2021 £000
Raw materials and consumables	7,320	5,174
Work in progress	1,571	1,223
Finished goods and goods for resale	2,589	1,949
	11,480	8,346

The provision against obsolete and excess inventories at 31 December 2022 was £1,427,000 (2021: £1,486,000). The movement represents the net decrease in inventory provisions. The cost of inventories recognised as an expense during the year has been disclosed in Note 3. During 2022, there have been £nil, (2021: £nil) reversals of previously written down inventories.

13. Trade and other receivables

	31 December 2022 £000	31 December 2021 £000
Current Assets		
Trade receivables	8,646	6,149
Amounts owed by group undertakings	247	21
Prepayments and accrued income	724	456
	9,617	6,626

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

Amounts owed from group undertakings are unsecured and repayable on demand, interest is borne at a market rate.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at December 31, 2022 based on ageing profile:

	Expected Default rate %	31 December 2022 Gross carrying amount £000	31 December 2022 Lifetime expected credit loss £000	31 December 2021 Gross carrying amount £000	31 December 2021 Lifetime expected credit loss £000
Current (not past due)	—%	7,379	—	5,578	—
1-30 days past due	—%	1,054	—	282	—
31-60 days past due	—%	207	—	201	—
61-90 days past due	1.5%	6	—	16	—
91-120 days past due	15.0%	—	—	—	—
> 120 days past due	100.0%	—	—	77	(5)
		8,646	—	6,154	(5)

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

	2022 £000	2021 £000
At 1 January	5	1
Charged in the year	—	4
Cash receipts for previously provided items	(5)	—
At 31 December	—	5

Notes to the Financial Statements (continued)

14. Cash and cash equivalents

	31 December 2022 £000	31 December 2021 £000
Cash at bank and in hand	<u>1</u>	<u>1</u>

At each year end cash is swept in to a concentration account held by a group undertaking. 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 2022 No.	31 December 2021 No.	31 December 2022 £000	31 December 2021 £000
Authorised:				
Ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000</u>	<u>3,000</u>
Allotted, called up and fully paid:				
Ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000</u>	<u>3,000</u>

16. Trade and other payables

	31 December 2022 £000	31 December 2021 £000
Current Liabilities		
Trade payables	3,453	3,570
Amounts owed to group undertakings	10,630	4,633
Accruals and deferred income	2,051	1,636
Corporation tax payable	541	710
Other taxes and social security	—	481
	<u>16,675</u>	<u>11,030</u>

The Directors consider that the carrying value of trade payables approximates to their fair value. Amounts owed to parent undertaking and group undertakings are unsecured and repayable on demand, interest is borne at a market rate.

Notes to the Financial Statements (continued)

17. Pension commitments

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.

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 surplus of £22,400,000 as at 31 December 2022 (2021 – £10,200,000). Full details relating to the LGPP can be found in the financial statements of Luxfer Holdings PLC.

During 2022, the Company made contributions to the LGPP of £49,000 (2021 – £49,000) to fund the Pension Protection Fund Levy in this plan and £nil (2021 – £2,385,000) 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 £640,000, (2021 – £675,000) from continuing activities.

18. Deferred taxes

	Accelerated tax depreciation £000	Share-based compensation £000	Other temporary timing difference £000s	Total £000
At 1 January 2021	424	37	118	579
(Charged) / credited to income statement	(5)	(37)	259	217
At 31 December 2021	419	—	377	796
Charged to income statement	(183)	—	(178)	(361)
At 31 December 2022	236	—	199	435

Deferred tax assets are recognised to the extent justified by a review of forecasts of the Company's future taxable profits. At 31 December 2022 and 31 December 2021, the Company had no unrecognised deferred tax assets.

Notes to the Financial Statements (continued)

19. Leases

Right-of-use assets

	Buildings £000	Motor vehicles £000	Equipment £000s	Total £000
Cost				
At 1 January 2021	6,269	18	62	6,349
Disposal	—	(18)	—	(18)
At 31 December 2022	6,269	—	62	6,331
Accumulated depreciation				
At 1 January 2021	1,111	18	40	1,169
Charge for the year	360	—	10	370
Disposal	—	(18)	—	(18)
Impairment	2,123	—	—	2,123
At 31 December 2022	3,594	—	50	3,644
Net book values				
At 31 December 2022	2,675	—	12	2,687
At 31 December 2021	5,158	—	22	5,180

Lease liability

	31 December 2022 £000	31 December 2021 £000
The present value of lease liabilities is as follows:		
Within 12 months	450	431
1 – 5 years	1,553	1,791
> 5 years	2,795	3,007
	4,798	5,229

The total cash outflow for leases in 2022 relating to continuing operations was £228,000 (2021 - £240,000) and interest expense was £220,000 (2021 - £146,000).

At 31 December 2022 the weighted average remaining lease term is 29.9 years (2021 - 28.7 years) and the weighted average discount rate is 4.43% (2021 - 4.42%).

Notes to the Financial Statements (continued)

20. Share-based compensation

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

	2022 £000	2021 £000
Share-based compensation charges	154	152

The charge in 2022 and 2021 was borne by the ultimate parent Company and recharged with no amounts repayable, as a result there is an increase in the capital contribution reserve for the above amounts.

There were no cancellations or modifications to the awards in 2022 and 2021.

The weighted average remaining contractual life of the share awards in the group schemes outstanding as at 31 December 2022 was 2.7 years (2021 – 1.9 years). The weighted average fair value of options granted in the group schemes during the year was \$16.24 (2021 – \$20.56). The weighted average exercise price for options outstanding in the group schemes at 31 December 2022 was \$0.99 (2021 – \$0.99).

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

	2022	2021
Dividend yield (%)	2.75 - 3.41	2.27
Expected volatility range (%)	36.11 - 49.43	42.80 – 59.03
Risk-free interest rate (%)	1.28 - 2.99	0.04 – 0.24
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.

No Directors were remunerated via long term incentive schemes within the Company. Equity awards are borne by the ultimate parent Company, Luxfer Holdings PLC.

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 SIP, 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 partnership shares every six months at market value with the employees’ contributions. For every two partnership shares purchased, the group purchases one matching share 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.

Notes to the Financial Statements (continued)

21. Commitments and contingencies

Commitments

At 31 December, the Company had the following capital commitments:

	2022 £000	2021 £000
Future capital expenditure	209	255

22. Financial risk management objectives and policies

The Company's financial instruments comprise intercompany loans and trade payables. Other than derivatives, the main purpose of these financial instruments is to fund the Company's operations. The Company also has various financial assets such as trade receivables and cash and cash equivalents, which arise directly from its operations.

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

The main risks arising from the Company's financial instruments are foreign currency transaction risk, commodity price risk and credit risk on trade receivables.

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.

Foreign currency transaction risk

The Company incurs currency transaction risk whenever it enters into either a purchase or sales transaction in a currency other than its functional currency. Currency transaction risk is reduced by matching sales revenues and costs in the same currency. The Company is exposed to exchange transaction risk, mainly because the Company sells goods priced in euros and U.S. dollars, and purchases raw materials in U.S. dollars.

Based on the 2022 level of revenue and purchases, a strengthening in GBP sterling leading to a £0.05 increase in the USD/GBP and EUR/GBP sterling exchange rate would result in a decrease of £1,839,000 in revenue and a decrease of £583,000 in operating profit.

Commodity price risk

The Company is exposed to commodity price risks, including primary aluminium, which has been subject to substantial increases in recent years, the price of high-grade aluminium, which is actively traded on the LME was trading at approximately \$1,700 per tonne at the start of 2020, to over \$3,000 at the start of 2022.

In the long-term, the Company has demonstrated its ability to recover the cost of increased commodity costs through price increases and surcharges. In the shorter term, the Company mitigates against commodity price increases through stock management and advanced orders to ensure certainty over prices paid.

Credit risk

The Company only provides trade credit to creditworthy third parties. Credit checks are performed on new and existing customers along with monitoring payment histories of customers. Outstanding receivables from customers are closely monitored to ensure they are paid when due, with both outstanding overdue days and total days of sales outstanding reported as a business unit key performance measure.

At 31 December 2022, the Company had a provision for bad and doubtful debtors of £nil (2021: £5,000) and a credit of £5,000 (2021 charge: £4,000) has been made to the income statement in relation to bad debts recognised in 2022.

The Company also monitors the spread of its customer base with the objective of trying to minimise exposure at a Company level to any one customer.

Notes to the Financial Statements (continued)

23. Non-GAAP financial measures

The table below reconciles the non-GAAP measure, EBITDA (before exceptional items from continuing activities) to the GAAP measure, operating profit.

	31 December 2022 £000	31 December 2021 £000
Operating profit	830	1,320
Exceptional items	501	675
Operating profit (before exceptional items)	1,331	1,995
Depreciation of property plant and equipment (Note 10)	503	581
Right-of-use asset depreciation (Note 19)	370	223
Amortisation of intangible assets (Note 11)	9	5
EBITDA (before exceptional items)	2,213	2,804

24. Related party transactions

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. Ultimate parent undertaking and controlling party

The 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, England, M27 8LN.

The immediate parent undertaking is Luxfer Group 2000 Limited, which is registered in England and Wales and copies of its financial statements are available from the above address.

26. Post balance sheet events

The Company was notified that Néos International Limited, including its subsidiaries Néos Technologies Limited and Néos Superform Limited (collectively, "Néos") – the purchaser of our Superform U.K. business – filed for administration on or about February 22, 2023. Pursuant to the terms of the sale, Luxfer assigned and underlet (as defined and in accordance with the Landlord & Tenant (Covenants) Act 1995) certain building leases to Néos, recognising a right of use asset and lease liability in the financial statements. Post year-end, the Company also received a Notice of Default from both Landlords, with respect to Néos' non-payment of amounts owed under the assigned leases in 2022. As a result of this information, and in accordance with IAS 10 and IAS 36, we have fully impaired the right of use asset, £2,123,000, and recognized this through discontinued operations in the consolidated statements of income in 2022, see notes 19. Leases and 9. Discontinued operations.