



API Group plc
Second Interim Report 2007

Highlights

for the six months to 30 September 2007

- > Results in line with announcement on 19 October and reflect difficult trading conditions and underperformance in a number of the Group's businesses
- > Sales of £47.2 million (six months to 30 September 2006: £50.8 million), reflecting contract losses in Laminates and weak demand in the US, partially offset by growth in European Foils and Holographics
- > Operating loss before exceptionals of £0.2 million (six months to 30 September 2006: profit £1.0 million)
- > New China facility now substantially complete, production for export commenced
- > Appointment of new Chief Executive
- > Fully underwritten Open Offer of New Ordinary Shares to raise £8.0 million (pre expenses) to restore working capital headroom, reduce debt and ensure continuing support of the Group's main lender
- > Possible move to AIM

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Interim Report to Shareholders

for the six months to 30 September 2007

Current Trading

In line with the Company's announcement of 19 October 2007, results for the six month period to 30 September 2007 were below the Board's expectations and the comparable period last year reflecting difficult trading conditions and underperformance in a number of the Group's businesses.

Group sales, at £47.2 million, were 7.3 per cent lower than last year (5.6 per cent at constant exchange rates) due primarily to contract losses in Laminates and weak demand in the US, partially offset by growth in the European Foils and Holographics businesses.

The Group recorded an operating loss, before exceptional items, of £0.2 million, compared with an operating profit of £1.0 million for the same period in 2006 and breakeven for the six month period ending 31 March 2007.

Exceptional items of £0.2 million (2006: £0.4 million) related principally to severance costs offset by a gain on the sale of the Group's site in Charlotte, US, which was closed in 2006.

Net financing costs of £1.0 million (2006: £1.2 million) reflected an increase of £0.4 million in the Group's interest cost as a result of the higher average debt and interest rates compensated by a UK pension plan credit of £0.3 million (2006: £0.3 million charge).

The pension deficit, as calculated in accordance with IAS 19, reduced from £11.0 million at 31 March 2007 to £6.1 million at 30 September 2007 on the basis of the Company's latest actuarial assessment and an improved outlook for long term investment returns.

Cash Flow and Borrowings

Net cash flow from operating activities was £0.6 million (2006: £1.9 million) reflecting lower operating profits. Capital expenditure reduced to £2.7 million (2006: £3.5 million) reflecting lower spending in China as the new facility nears completion. In addition, the Group received net cash proceeds of £0.7 million from the sale of the property in Charlotte.

Net borrowings increased to £23.0 million at 30 September 2007 compared with £20.8 million six months earlier and £15.5 million at the end of September 2006. The increase in the latest 6 month period is attributable to interest costs in excess of operating cash flow and continued investment in China.

On 21 September 2007, the Company announced a projected cash shortfall against its borrowing facilities in the UK and the commencement of discussions with its main lender and major shareholders. Concurrent with this Interim Announcement, the Chairman is inviting Shareholders to support an Open Offer of New Ordinary Shares to raise additional funds of £8.0 million (£7.2 million net of costs). This is designed to restore the Group's working capital headroom, reduce structural debt to a sustainable level and ensure the continuing support of the Group's main lender.

Review of Operations

Asia Pacific

Reported sales for Asia Pacific were down by 3 per cent to £5.3 million (2006: £5.5 million) but were unchanged before the effects of currency translation.

Operating profits declined to £0.2 million (2006: £0.5 million) as a result of a change in sales mix to the Chinese market away from higher added value holographic foils. Margins on exports from China were also adversely affected by the Government's implementation of a new VAT regime which came into effect on 1 July 2007. The Company is making progress in passing on these cost increases to customers in a number of key markets.

The new facility in Shanghai is now substantially complete, approximately 50 per cent of machinery has been relocated and production for export has commenced on the new site.

North America

Reported sales in North America declined by 15 per cent to £11.1 million (2006: £13.1 million) and were 8 per cent lower than last year on a local currency basis. Weak demand in the graphics, greeting card and metallic ink sectors was partially compensated by continued growth in labels and coding foils.

Operating profits from the region of £0.6 million were in line with the previous six month period but £0.4 million below 2006. The year on year movement was due to the lower level of sales, an adverse product mix and the impact of the unfavourable exchange rate movement.

Interim Report to Shareholders (cont)

for the six months to 30 September 2007

Europe

Sales in Europe were 5 per cent below prior year at £30.7 million (2006: £32.3 million).

In Laminates, turnover fell by 21 per cent due to a number of contract losses although operating results remained substantially unchanged (just below breakeven) on prior year and the previous six month period. The impact of the decline in volumes was mitigated by improved average margins and cost savings arising from the restructuring measures implemented in the first quarter of 2007.

Volumes in the European foils businesses grew strongly although increased production costs, including waste, were significantly higher leading to reduced operating profits. Sales and profitability in European Foils have continued to be adversely affected by the shortage of standard foil grades from China pending the resolution of technical issues and the increase of capacity at the new site in Shanghai.

The Company's new finishing and distribution facility in Italy made a good start with sales growth in line with expectations.

Discontinued Operations

The Company has settled a number of disputes relating to the disposal of the Converted Product Division in January 2005 including the Company's claim against the purchaser for deferred consideration of £0.75 million. Legal advice previously led the Board to anticipate a favourable outcome to the Company's claim, although the £0.75 million was disclosed as a contingent liability in the Interim Report for the period to 31 March 2007. In the light of new claims brought by the purchaser in respect of the closing valuation of the Division's net assets, the Board concluded that Shareholders' interests would be best served by an early settlement rather than protracted court proceedings. Consequently, the Group has taken charge of £0.9 million against the profit and loss account comprising of £0.75 million write-off of the deferred consideration and £0.15 million legal and other costs.

In the last six month period, the Company has been notified of an additional claim relating to warranties given in the course of the same transaction.

Further details of these issues are set out in the notes to the accounts.

Dividend

The Board is not recommending the payment of an interim dividend (2006: none).

Outlook

The Board was pleased to announce the appointment of Andrew Turner as Group Chief Executive with effect from 15 October 2007.

If the Group is successful in gaining the support of Shareholders for the proposed Open Offer, it will emerge with restored cash headroom and a significantly strengthened balance sheet.

With the possible exception of the US, there are no clear indications, at this state, that the uncertainty in the banking sector and weakness in consumer confidence is affecting general market demand for the Group's products.

The Group has a number of product innovations in the pipeline, which utilise the combined technical capabilities of the European businesses. The Directors believe that a successful outcome of one of these developments could have a material impact on the Group's overall short-term financial performance.

Volumes have recovered somewhat in Laminates and the business is benefiting from its lower cost base, post restructuring. European foil sales are expected to benefit from the start-up of export production at the new site in China as well as continued growth through the new distribution operation in Italy.

An overhead cost reduction programme has been launched by the new Group management which is expected to fully impact results from the beginning of the next financial year.

R C Wright

Non-Executive Chairman

GROUP INCOME STATEMENT

for the six months ended 30 September 2007

	Note	Unaudited 6 months to 30 September 2007 £'000	Unaudited 6 months to 30 September 2006 £'000	Audited 12 months to 30 September 2006 £'000
Continuing operations				
Revenue	1	47,159	50,861	101,979
Cost of sales		(38,251)	(40,003)	(80,656)
Gross profit		8,908	10,858	21,323
Other operating costs		(9,114)	(9,841)	(20,329)
Operating (loss)/profit before exceptional items	1	(206)	1,017	994
Exceptional items	3	(184)	(420)	(863)
Operating (loss)/profit from continuing operations		(390)	597	131
Finance revenue		6	34	85
Finance costs		(1,303)	(926)	(1,698)
Other finance income/(expense) – pensions		325	(323)	(311)
		(972)	(1,215)	(1,924)
Loss on continuing activities before taxation		(1,362)	(618)	(1,793)
Taxation – UK	5	(149)	27	(122)
– Overseas	5	(196)	(321)	(613)
Loss from continuing operations		(1,707)	(912)	(2,528)
Discontinued operations				
Loss from discontinued operations	6	(929)	(127)	(230)
Loss for the period		(2,636)	(1,039)	(2,758)
Attributable to:				
Profit attributable to minority equity interests		126	377	695
Loss attributable to equity holders of the parent		(2,762)	(1,416)	(3,453)
Total loss for the period		(2,636)	(1,039)	(2,758)
Earnings per share (pence)				
Basic loss per share from continuing operations	4	(5.3)	(3.7)	(9.4)
Diluted loss per share from continuing operations	4	(5.3)	(3.6)	(9.1)
Basic loss per share on loss for the period	4	(8.0)	(4.1)	(10.1)
Diluted loss per share on loss for the period	4	(8.0)	(4.0)	(9.8)

GROUP BALANCE SHEET

at 30 September 2007

	Note	Unaudited 30 September 2007 £'000	Audited 30 September 2006 £'000	Unaudited 31 March 2007 £'000
Assets				
Non-current assets				
Property plant and equipment		31,895	30,500	31,856
Intangible assets		6,480	6,480	6,480
Deferred tax asset on defined benefit pension plan		1,721	3,263	3,311
Financial assets		45	–	42
		40,141	40,243	41,689
Current assets				
Trade and other receivables		17,716	20,112	19,386
Inventories		11,798	13,195	11,907
Cash		2,103	4,909	3,236
		31,617	38,216	34,529
Total assets		71,758	78,459	76,218
Liabilities				
Current liabilities				
Trade and other payables		19,483	22,306	20,310
Financial liabilities		7,662	1,758	5,431
Income tax payable		411	379	370
Provisions		5	306	144
		27,561	24,749	26,255
Non-current liabilities				
Financial liabilities		17,485	18,674	18,629
Deferred tax liabilities		639	659	659
Provisions		77	93	88
Defined benefit pension plan deficit		6,147	10,879	11,036
		24,348	30,305	30,412
Total liabilities		51,909	55,054	56,667
Net assets		19,849	23,405	19,551
Equity				
Called up share capital		8,642	8,612	8,612
Share premium		294	244	244
Capital redemption reserve		549	549	549
ESOP reserve		(251)	(251)	(251)
Foreign exchange reserve		(1,523)	(366)	(1,229)
Retained earnings		6,560	9,179	6,127
Total shareholders' equity	7	14,271	17,967	14,052
Minority interest in equity	7	5,578	5,438	5,499
Total equity		19,849	23,405	19,551

GROUP CASH FLOW STATEMENT

for the six months ended 30 September 2007

	Unaudited 6 months to 30 September 2007 £'000	Unaudited 6 months to 30 September 2006 £'000	Audited 12 months to 30 September 2006 £'000
Operating activities			
Group operating (loss)/profit	(390)	597	131
Adjustment to reconcile group operating (loss)/profit to net cash flow from operating activities			
Operating loss from discontinued operations	–	(127)	(230)
Depreciation and impairment of property, plant and equipment	1,831	1,677	3,457
Profit on disposal of property, plant & equipment	(258)	(11)	(22)
Share-based payments	161	57	131
Difference between pension contributions paid and amounts recognised in the income statement	(484)	(403)	(835)
Decrease/(increase) in inventories	12	(143)	(870)
Decrease/(increase) in trade and other receivables	897	(767)	(523)
Increase/(decrease) in trade and other payables	(685)	1,381	(1,120)
Movement in provisions	(300)	(32)	(293)
Cash generated from/(used in) operations	784	2,229	(174)
Income taxes paid	(160)	(362)	(656)
Net cash flow from operating activities	624	1,867	(830)
Investing activities			
Interest received	12	34	85
Purchase of property, plant and equipment	(2,682)	(3,459)	(6,140)
Sale of property, plant and equipment	698	244	244
Payments to acquire investments	(5)	–	–
Sale of subsidiary undertakings	54	–	–
Net cash flow from investing activities	(1,923)	(3,181)	(5,811)
Financing activities			
Interest paid	(1,229)	(1,225)	(2,047)
Dividends paid to minority interests	–	(487)	(487)
Proceeds from share issues	80	–	53
New borrowings	756	–	1,956
Repayment of borrowings	–	(950)	–
Net cash flow from financing activities	(393)	(2,662)	(525)
Decrease in cash and cash equivalents	(1,692)	(3,976)	(7,166)
Effect of exchange rates on cash and cash equivalents	160	(4)	116
Cash and cash equivalents at the beginning of the period	(1,763)	7,326	10,396
Cash and cash equivalents at the end of the period	(3,295)	3,346	3,346

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENDITURE

for the six months ended 30 September 2007

	Unaudited 6 months to 30 September 2007 £'000	Unaudited 6 months to 30 September 2006 £'000	Audited 12 months to 30 September 2006 £'000
Exchange differences on retranslation of foreign operations	(341)	(1,345)	(972)
Actuarial gains/(losses) on defined benefit pension plans	4,454	(2,183)	(1,311)
Tax on actuarial gains/(losses) on defined benefit pension plans	(1,420)	635	393
Net income/(expense) recognised directly in equity	2,693	(2,893)	(1,890)
Loss for the period	(2,636)	(1,039)	(2,758)
Total recognised income and expense relating to the period	57	(3,932)	(4,648)
Attributable to:			
Equity holders of the parent	(22)	(3,989)	(5,176)
Minority equity interests	79	57	528
	57	(3,932)	(4,648)

NOTES TO INTERIM FINANCIAL STATEMENTS

for the six months ended 30 September 2007

1. Segmental analysis

Primary reporting format – geographic segments: At 30 September 2007, the Group is organised into three distinct independently managed geographic segments, Asia Pacific, North America and Europe. The following table presents revenue and profit information for these segments.

By geographical segment	6 months to 30 September 2007 £'000	6 months to 30 September 2006 £'000	6 months to 30 September 2006 £'000	6 months to 30 September 2006 £'000
	Continuing and Total	Continuing	Discontinued	Total
Total revenue by origin				
Asia Pacific	5,894	6,261	–	6,261
North America	11,222	13,255	7	13,262
Europe	35,601	38,202	–	38,202
	52,717	57,718	7	57,725
Inter-segmental sales				
Asia Pacific	569	787	–	787
North America	130	160	–	160
Europe	4,859	5,910	–	5,910
	5,558	6,857	–	6,857
External sales by origin				
Asia Pacific	5,325	5,474	–	5,474
North America	11,092	13,095	7	13,102
Europe	30,742	32,292	–	32,292
	47,159	50,861	7	50,868
External sales by destination				
UK	15,549	17,345	–	17,345
Continental Europe	14,208	13,480	–	13,480
Americas	10,358	12,836	7	12,843
Asia Pacific	6,196	5,610	–	5,610
Rest of World	848	1,590	–	1,590
	47,159	50,861	7	50,868
Profit/(loss) from operations				
Asia Pacific				
– before exceptional items	229	540	–	540
– exceptional items	–	–	–	–
	229	540	–	540
North America				
– before exceptional items	610	984	45	1,029
– exceptional items	258	(242)	(172)	(414)
	868	742	(127)	615
Europe				
– before exceptional items	15	490	–	490
– exceptional items	(61)	(198)	–	(198)
	(46)	292	–	292
Central costs				
– before exceptional items	(1,060)	(997)	–	(997)
– exceptional items	(381)	20	–	20
	(1,441)	(977)	–	(977)
Total (loss)/profit from operations before exceptional items	(206)	1,017	45	1,062
Total (loss)/profit from operations	(390)	597	(127)	470

NOTES TO INTERIM FINANCIAL STATEMENTS (CONT)

for the six months ended 30 September 2007

2. Presentation of interim financial statements

Authorisation of financial statements

The consolidated financial statements of API Group plc for the six months ended 30 September 2007 were authorised for issue in accordance with a resolution of the Directors on 14 December 2007. API Group plc is a public limited company incorporated in the United Kingdom whose shares are publicly traded.

Basis of preparation

These consolidated interim financial statements are presented in sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

The financial information contained in this interim statement is unaudited and does not constitute statutory accounts as defined in section 240 of the Companies Act 1985 and therefore does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's latest annual financial statements as at 30 September 2006 which were prepared in accordance with International Financial Reporting Standards as adopted by the EU. The audited annual financial statements for the year ended 30 September 2006, which represent the statutory accounts for that year, and on which the auditors gave an unqualified opinion, have been filed with the Registrar of Companies.

Accounting policies

The accounting policies adopted are consistent with the annual financial statements for the year ended 30 September 2006, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU.

3. Exceptional items

	6 months to 30 September 2007 £'000	6 months to 30 September 2006 £'000	12 months to 30 September 2006 £'000
Exceptional items charged against operating (loss)/profit comprise			
Redundancy and restructuring costs	(442)	(239)	(651)
Charlotte factory closure	258	(242)	(242)
London office provision release/(closure costs)	–	24	(7)
Release of provision for vacant property	–	37	37
	(184)	(420)	(863)

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the Group and which need to be disclosed by virtue of their size or incidence.

Redundancy and restructuring costs

During the period, the Group provided for severance costs of £442,000. Comparative figures are in respect of restructuring costs, mainly as a result of redundancy and relocation of employees in the United Kingdom.

Charlotte factory closure

During the period the Charlotte factory site was sold, realising a profit of £258,000. The comparative figures relate to the costs associated with the closure of the factory.

NOTES TO INTERIM FINANCIAL STATEMENTS (CONT)

for the six months to 30 September 2007

4. Earnings per share

	6 months to 30 September 2007 £'000	6 months to 30 September 2006 £'000	12 months to 30 September 2006 £'000
Net (loss)/profit attributable to equity holders of the parent company			
– continuing operations	(1,833)	(1,289)	(3,223)
Loss attributable to equity holders of the parent company			
– discontinued operations	(929)	(127)	(230)
Net (loss)/profit attributable to equity holders of the parent company	(2,762)	(1,416)	(3,453)

	6 months to 30 September 2007 Number	6 months to 30 September 2006 Number	12 months to 30 September 2006 Number
Basic weighted average number of ordinary shares	34,412,276	34,391,292	34,359,671
Dilutive effect of employee share options	–	903,820	903,820
Diluted weighted average number of ordinary shares	34,412,276	35,295,112	35,263,491

	6 months to 30 September 2007 Pence	6 months to 30 September 2006 Pence	12 months to 30 September 2006 Pence
Earnings per share			
Continuing operations			
Basic loss per share	(5.3)	(3.7)	(9.4)
Diluted loss per share	(5.3)	(3.6)	(9.1)
Discontinued operations			
Basic loss per share	(2.7)	(0.4)	(0.7)
Diluted loss per share	(2.7)	(0.4)	(0.7)
Total			
Basic loss per share	(8.0)	(4.1)	(10.1)
Diluted loss per share	(8.0)	(4.0)	(9.8)

The weighted average number of shares excludes the shares owned by the API Group plc No.2 Employee Benefit Trust.

Under IAS 33, the weighted average number of ordinary shares in issue used for calculating the diluted earnings per share is adjusted by the number of share options which are contingently issuable and which satisfy the conditions attached to the share options at the balance sheet date. At 30 September 2007, the conditions attached to all share options outstanding at that date have not been met, so no adjustment has been made to the weighted average number of shares. Consequently, the diluted earnings per share for the six months ended 30 September 2007 are identical to the basic earnings per share.

NOTES TO INTERIM FINANCIAL STATEMENTS (CONT)

for the six months to 30 September 2007

5. Taxation

	6 months to 30 September 2007 £'000	6 months to 30 September 2006 £'000	12 months to 30 September 2006 £'000
Current income tax			
Overseas tax	(196)	(321)	(613)
Total current income tax	(196)	(321)	(613)
Deferred tax			
Origination and reversal of temporary differences	(149)	(253)	(402)
Adjustment to previous year	–	280	280
Total deferred tax	(149)	27	(122)
Total charge in the income statement	(345)	(294)	(735)

6. Discontinued operations

	6 months to 30 September 2007 £'000	6 months to 30 September 2006 £'000	12 months to 30 September 2006 £'000
Revenue	–	7	129
Expenses	–	(134)	(359)
Operating loss and loss after tax for the period for discontinued operations	–	(127)	(230)
Loss on disposal of discontinued operations	(929)	–	–
Total charge in the income statement	(929)	(127)	(230)

The loss on disposal of discontinued operations relates to the sale of the Converted Products Division in January 2005. Following settlement of a number of disputes with the purchaser, deferred consideration of £750,000, previously held in other debtors, has now been written off and other settlement costs payable to the purchaser and related legal fees have been provided.

Discontinued operations in prior periods represent the results of Chromagem, a subsidiary which ceased trading in 2006.

NOTES TO INTERIM FINANCIAL STATEMENTS (CONT)

for the six months to 30 September 2007

7. Changes in equity

	Shareholders' equity £'000	Minority interest £'000	Total equity £'000
Balance at 1 October 2005	22,959	5,460	28,419
Total recognised income and expense for the period	(1,187)	471	(716)
Exercise of employee share options	53	–	53
Share based payment	74	–	74
Balance at 31 March 2006	21,899	5,931	27,830
Total recognised income and expense for the period	(3,989)	57	(3,932)
Dividends	–	(550)	(550)
Share based payment	57	–	57
Balance at 30 September 2006	17,967	5,438	23,405
Total recognised income and expense for the period	(4,001)	61	(3,940)
Share based payment	86	–	86
Balance at 31 March 2007	14,052	5,499	19,551
Total recognised income and expense for the period	(22)	79	57
Exercise of employee share options	80	–	80
Share based payment	161	–	161
Balance at 30 September 2007	14,271	5,578	19,849

8. Contingent liabilities

In the Interim Report for the six months ending 31 March 2007, a contingent liability of £0.75 million was disclosed. This related to deferred consideration arising from the sale of the Converted Products Division in January 2005, which was withheld by the purchaser. At the time of announcing the March results, the Directors were of the opinion, in accordance with legal advice received, that a successful recovery of this amount was probable and consequently no provision was made against the recoverability of the outstanding deferred consideration.

In September 2007 substantial claims were made by the purchaser following an unfavourable outcome to expert determination proceedings relating to the closing valuation of the Division's net assets. After taking further legal advice and in view of the high level of legal fees required to pursue recovery of the deferred consideration and disputing the additional claims, the Board concluded that an early settlement was in the best interests of Shareholders. The terms of the settlement achieved included agreement by the Company not to pursue its claim for the deferred consideration in exchange for withdrawal of claims by the purchaser relating to the net asset position. Accordingly, the deferred consideration of £0.75 million has now been written off and provision has been made for the agreed settlement relating to the completion balance sheet and related legal fees. These items have been included in Discontinued Operations within the Income Statement for the six months ending 30 September 2007 – see Note 6.

During the six months ended 30 September 2007, the Group also received a claim in respect of alleged breach of warranties from the purchaser of the Converted Products Division. The purchaser has acknowledged that the maximum amount which it may recover in connection with the material element of the claim is capped at £3.1 million. The Directors consider that any amount which may be recovered by the purchaser would be substantially lower than the capped amount of this claim and they believe that the Group has a strong basis upon which the claim can be defended. Accordingly, no provision has been made in the accounts in respect of this claim.

INDEPENDENT REVIEW REPORT TO API GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial statements for the six months ended 30 September 2007 which comprises the Group Income Statement, Group Balance Sheet, Group Cash Flow Statement, Group Statement of Recognised Income and Expenditure, and the related Notes 1 to 8. We have read the other information contained in the interim financial statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The interim financial statements are the responsibility of, and have been approved by, the Directors. The Directors are responsible for preparing the interim financial statements in accordance with the Listing Rules of the United Kingdom's Financial Services Authority, which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.

As disclosed in Note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by EU. The financial information included in this interim financial statement has been prepared in accordance with the Listing Rules of the United Kingdom's Financial Services Authority.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial statement based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial statements for the six months ended 30 September 2007 is not prepared, in all material respects, in accordance with the accounting policies outlined in Note 2, which comply with International Financial Reporting Standards and which the Group intends to apply in its financial statements for the period ended 31 March 2008 and in accordance with the Listing Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP

Manchester
17 December 2007



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