INTERIM REPORT
2007

API Group plc

- Results in line with AGM statement in March 2007
- Sales reduced by 1.4% to £50.4m (2006: £51.1m) reflecting movements in exchange rates. At constant rates, sales slightly up on prior year
- Growth occurred across much of the Group, but was offset by a 10% decline in sales of non-holographic foils in Europe
- Operating result before exceptional items unchanged on prior year at break-even (2006: £nil) as progress in North America and Asia-Pacific was offset by disappointing performance in Europe
- Net borrowings increased by £5.3m to £20.8m as improvements in operational cash flow were offset by capital expenditure in China and seasonal factors
- Progress with the new foils manufacturing facility in China in line with expectations, with production due to commence later this year

Contents

The results for the six months ended 31 March 2007 are in line with the Board's expectations and with the statement made at the Annual General Meeting on 30 March 2007. The operating performance before exceptional items was comparable with that achieved in the same period of the previous year as progress with strategic initiatives in North America and Asia Pacific was offset by a continued disappointing performance in certain European businesses.

Sales for the six months to 31 March 2007 eased by 1.4% to £50.4m (2006: £51.1m). However, at constant exchange rates, sales were slightly ahead of the same period in the previous year. Sales growth occurred in the majority of the Group's businesses, but was offset by a 10% decline in sales of non-holographic foils in Europe.

The operating result before exceptional items remained virtually unchanged at £nil (2006: £nil).

Exceptional items of £0.8m (2006: £0.4m) related principally to restructuring of the manufacturing activities at Laminates.

Net financing costs increased to £1.2m (2006: £0.7m) due to the combined effect of interest rate increases and higher average borrowings. Financing included a net charge of £0.3m (2006: £nil) relating to pension plan balances.

Cash Flow and Borrowings

Cash used in continuing operations reduced to £0.5m (2006: outflow £2.7m) as a result of improved working capital management. Capital expenditure amounted to £3.6m (2006: £2.7m), with the increase in expenditure almost entirely attributable to the investment in the new factory complex near Shanghai, China.

Net borrowings at 31 March 2007 were £20.8m, compared with £15.5m at 30 September 2006. The increase of £5.3m is principally attributable to seasonal factors and the high level of capital investment in the new facility in China.

Review of Operations

Asia-Pacific

Sales in Asia Pacific reduced by 6.7% to £6.6m (2006: £7.1m) reflecting the movement in the Chinese Renmimbi exchange rate. On an underlying basis, sales were virtually unchanged. Operating profits reduced to £0.4m (2006: £0.7m) due to lower export sales into European and US markets.

Progress with the new foils manufacturing facility near Shanghai continues to be in-line with our expectations, with construction scheduled for completion in mid-2007 and production of foil due to commence later this year. Once in full production, the Chinese facility will be the Group's single largest manufacturing centre and will represent almost 50% of its total available foil production capacity by the end of 2008.

In the first six months of this period, the Chinese foils business performed well in its traditional domestic markets and achieved further growth in exports to Russia and India. However, export sales to western markets were lower due to difficulties encountered with the introduction of a new range of products manufactured in China, but intended for sale principally in Europe and the US. The issues have now been resolved and production was successfully resumed at the end of February.

North America

Sales in North America reduced by 16% to £10.8m (2006: £12.9m). Approximately half of the reduction was attributable to lower sales of laminates into the US tobacco sector, with the remainder attributable to movements in the US Dollar exchange rate. The US foils business itself performed strongly, achieving underlying sales growth of 6%. Operating profits from the region improved slightly to £0.6m (2006: £0.5m).

During the period under review, the US foils business successfully grew its share of the general carton and label sectors and consolidated its position as a leading supplier of raw material for use in the manufacture of metallic inks. Growth in these areas more than offset the slight decline experienced in traditional sectors such as greetings cards and book publishing, where manufacturers are increasingly looking to source from the Far East.

Europe

Sales in Europe increased by 14.1% to £31.5m (2006: £27.6m). Good growth in sales of laminates and holographic foils was partially offset by a decline in sales of metallic foils and pigment products. Operating profit before exceptional items improved by £0.8m to a profit of £0.5m (2006: loss £0.3m), principally due to an improved performance from Laminates.

The laminates business benefited from the refocusing of its sales efforts, leading to growth in the traditional markets of drinks and tobacco and an increase in our presence in more rewarding sectors such as personal care and pharmaceutical products. Further restructuring of the manufacturing activities was carried out and this, together with improved sales performance, contributed to an improvement in the operating result before exceptional items to just below break-even.

The demand for our holographic foil products continued to be robust and we were able to capitalise on the market leading performance of certain areas of our product range. In contrast, sales of metallic and pigment foils declined in the face of intense competition and temporarily reduced availability of products sourced from our facility in China.

Dividend

The Board is not recommending the payment of an interim dividend (2006: no payment).

Outlook

With the exception of our non-holographic foils business in Europe, each of the Group's businesses performed in-line with expectations during the first six months and they continue to do so. We remain optimistic of an improvement in performance in Europe following the resumption of supply from China and the establishment of a distribution centre in the strategically important Italian market which commenced trading in April of this year. In Laminates, we expect to begin to realise the benefits of the restructuring and process improvement initiatives undertaken during the first six months of this accounting period and are confident of further progress.

As indicated in the preliminary statement, the Group's accounting reference date has been changed to 31 March and the Group is currently in an 18 month accounting period. The Board expects the results of the Group for the remaining twelve months of the accounting period to be in line with current expectations and to represent an improvement over the same period of the previous year.

Richard Wright
Non-Executive Chairman
30 May 2007

	Note	**Unaudited 6 months to 31 March 2007 £'000**	Unaudited 6 months to 31 March 2006 £'000	Audited 12 months to 30 September 2006 £'000
Continuing operations				
Revenue	1	**50,392**	51,118	101,979
Cost of sales		**(40,804)**	(40,653)	(80,656)
Gross profit		**9,588**	10,465	21,323
Other operating costs		**(9,617)**	(10,488)	(20,329)
Operating (loss) / profit before exceptional items	1	**(29)**	(23)	994
Exceptional items:				
Restructuring	3	**(801)**	(443)	(863)
Operating (loss) / profit from continuing operations		**(830)**	(466)	131
Finance revenue		**26**	51	85
Finance costs		**(967)**	(772)	(1,698)
Other finance expense - pensions		**(312)**	12	(311)
		(1,253)	(709)	(1,924)
Loss on continuing activities before taxation		**(2,083)**	(1,175)	(1,793)
Taxation - UK	5	**(119)**	(149)	(122)
- Overseas	5	**(257)**	(292)	(613)
Loss from continuing operations		**(2,459)**	(1,616)	(2,528)
Discontinued operations				
Loss from discontinued operations	6	**–**	(103)	(230)
Loss for the period		**(2,459)**	(1,719)	(2,758)
Attributable to:				
Profit attributable to minority equity interests		**198**	318	695
Loss attributable to equity holders of the parent		**(2,657)**	(2,037)	(3,453)
Total loss for the period		**(2,459)**	(1,719)	(2,758)
Earnings per share (pence)				
Basic loss per share from continuing operations	4	**(7.7)**	(5.6)	(9.4)
Diluted loss per share from continuing operations	4	**(7.6)**	(5.5)	(9.1)
Basic loss per share on loss for the period	4	**(7.7)**	(5.9)	(10.1)
Diluted loss per share on loss for the period	4	**(7.6)**	(5.8)	(9.8)

	Note	Unaudited 31 March 2007 £'000	Unaudited 31 March 2006 £'000	Audited 30 September 2006 £'000
Assets				
Non-current assets				
Property plant and equipment		**31,856**	29,812	30,500
Intangible assets		**6,480**	6,480	6,480
Deferred tax asset on defined benefit pension plan		**3,311**	2,760	3,263
Financial assets		**42**	–	–
		41,689	39,052	40,243
Current assets				
Trade and other receivables		**19,386**	19,676	20,112
Inventories		**11,907**	13,515	13,195
Cash		**3,236**	7,326	4,909
		34,529	40,517	38,216
Total assets		**76,218**	79,569	78,459
Liabilities				
Current liabilities				
Trade and other payables		**20,310**	20,887	22,306
Financial liabilities		**5,431**	1,264	1,758
Income tax payable		**370**	390	379
Provisions		**144**	336	306
		26,255	22,877	24,749
Non-current liabilities				
Financial liabilities		**18,629**	18,742	18,674
Deferred tax liabilities		**659**	818	659
Provisions		**88**	103	93
Defined benefit pension plan deficit		**11,036**	9,199	10,879
		30,412	28,862	30,305
Total liabilities		**56,667**	51,739	55,054
Net assets		**19,551**	27,830	23,405
Equity				
Called up share capital		**8,612**	8,612	8,612
Share premium		**244**	244	244
Capital redemption reserve		**549**	549	549
ESOP reserve		**(251)**	(251)	(251)
Foreign exchange reserve		**(1,229)**	659	(366)
Retained earnings		**6,127**	12,086	9,179
Total shareholders' equity	7	**14,052**	21,899	17,967
Minority interest in equity	7	**5,499**	5,931	5,438
Total equity		**19,551**	27,830	23,405

	Unaudited 6 months to 31 March 2007 £'000	Unaudited 6 months to 31 March 2006 £'000	Audited 12 months to 30 September 2006 £'000
Operating activities			
Group operating (loss) / profit	(830)	(466)	131
Adjustments to reconcile group operating (loss) / profit to net cash flows from operating activities			
Operating loss from discontinued operations	–	(103)	(230)
Depreciation and impairment of property, plant and equipment	1,703	1,780	3,457
Profit on disposal of property, plant and equipment	–	(11)	(22)
Share-based payments	86	74	131
Difference between pension contributions paid and amounts recognised in the income statement	(508)	(432)	(835)
Decrease / (increase) in inventories	1,072	(727)	(870)
Decrease / (increase) in trade and other receivables	483	244	(523)
Decrease in trade and other payables	(2,190)	(2,501)	(1,120)
Movement in provisions	(5)	(261)	(293)
Cash used in operations	(189)	(2,403)	(174)
Income taxes paid	(266)	(294)	(656)
Net cash flow from operating activities	(455)	(2,697)	(830)
Investing activities			
Interest received	20	51	85
Purchase of property, plant and equipment	(3,647)	(2,681)	(6,140)
Sale of property, plant and equipment	–	–	244
Payments to acquire investments	(42)	–	–
Net cash flow from investing activities	(3,669)	(2,630)	(5,811)
Financing activities			
Interest paid	(961)	(822)	(2,047)
Dividends paid to minority interests	–	–	(487)
Proceeds from share issues	–	53	53
New borrowings	5,191	2,906	1,956
Net cash flow from financing activities	4,230	2,137	(525)
Increase / (decrease) in cash and cash equivalents	106	(3,190)	(7,166)
Effect of exchange rates on cash and cash equivalents	(216)	120	116
Cash and cash equivalents at the beginning of the period	3,346	10,396	10,396
Cash and cash equivalents at the end of the period	3,236	7,326	3,346

	Unaudited 6 months to 31 March 2007 £'000	Unaudited 6 months to 31 March 2006 £'000	Audited 12 months to 30 September 2006 £'000
Exchange differences on retranslation of foreign operations	**(1,000)**	373	(972)
Actuarial (losses) / gains on defined benefit pension plans	**(647)**	872	(1,311)
Tax on actuarial (losses) / gains on defined benefit pension plans	**166**	(242)	393
Net (expense) / income recognised directly in equity	**(1,481)**	1,003	(1,890)
Loss for the period	**(2,459)**	(1,719)	(2,758)
Total recognised income and expense relating to the period	**(3,940)**	(716)	(4,648)
Attributable to:			
Equity holders of the parent	**(4,001)**	(1,187)	(5,176)
Minority equity interests	**61**	471	528
	(3,940)	(716)	(4,648)

1. SEGMENTAL ANALYSIS

Primary reporting format - geographic segments: At 31 March 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 31 March 2007 £'000 Continuing and Total**	6 months to 31 March 2006 £'000 Continuing	6 months to 31 March 2006 £'000 Discontinued	6 months to 31 March 2006 £'000 Total
Total revenue by origin				
Asia Pacific	**5,761**	6,774	–	6,774
North America	**12,053**	12,703	122	12,825
Europe	**37,479**	36,643	–	36,643
	55,293	56,120	122	56,242
Inter-segmental sales				
Asia Pacific	**343**	985	–	985
North America	**207**	334	–	334
Europe	**4,351**	3,683	–	3,683
	4,901	5,002	–	5,002
External sales by origin				
Asia Pacific	**5,418**	5,789	–	5,789
North America	**11,846**	12,369	122	12,491
Europe	**33,128**	32,960	–	32,960
	50,392	51,118	122	51,240
External sales by destination				
UK	**17,560**	17,053	14	17,067
Continental Europe	**13,899**	11,987	–	11,987
Americas	**10,808**	12,933	99	13,032
Asia Pacific	**6,597**	7,071	9	7,080
Rest of World	**1,528**	2,074	–	2,074
	50,392	51,118	122	51,240
Profit / (loss) from operations				
Asia Pacific				
before exceptional items	**380**	736	–	736
exceptional items	**–**	–	–	–
	380	736	–	736
North America				
before exceptional items	**608**	537	(98)	439
exceptional items	**–**	–	(5)	(5)
	608	537	(103)	434
Europe				
before exceptional items	**480**	(285)	–	(285)
exceptional items	**(801)**	(399)	–	(399)
	(321)	(684)	–	(684)
Central costs				
before exceptional items	**(1,497)**	(1,011)	–	(1,011)
exceptional items	**–**	(44)	–	(44)
	(1,497)	(1,055)	–	(1,055)
Total loss from operations before exceptional items	**(29)**	(23)	(98)	(121)
Total loss from operations	**(830)**	(466)	(103)	(569)

2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS

Authorisation of financial statements

The consolidated financial statements of API Group plc for the six months ended 31 March 2007 were authorised for issue in accordance with a resolution of the directors on 21 May 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. 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.

3. EXCEPTIONAL ITEMS

	6 months to 31 March 2007 £'000	6 months to 31 March 2006 £'000	12 months to 30 September 2006 £'000
Exceptional items charged against operating (loss) / profit comprise			
Restructuring of operating businesses	**801**	412	651
Charlotte facility closure costs	**–**	–	242
London office closure costs	**–**	31	7
Release of provision for vacant property	–	–	(37)
	801	443	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.

Restructuring of operating businesses

During the period the group incurred costs of £801,000 in respect of restructuring costs, mainly as a result of employee redundancy and other one-off costs associated with business improvement measures within the laminates business.

4. EARNINGS PER SHARE

	6 months to 31 March 2007 £'000	6 months to 31 March 2006 £'000	12 months to 30 September 2006 £'000
Net loss attributable to equity holders of the parent - continuing operations	**(2,657)**	(1,934)	(3,223)
Loss attributable to equity holders of the parent - discontinued operations	**–**	(103)	(230)
Net loss attributable to equity holders of the parent	**(2,657)**	(2,037)	(3,453)

	6 months to 31 March 2007 No	6 months to 31 March 2006 No	12 months to 30 September 2006 No
Basic weighted average number of ordinary shares	**34,391,292**	34,327,701	34,359,671
Dilutive effect of employee share options	**621,320**	559,801	903,820
Diluted weighted average ordinary shares	**35,012,612**	34,887,502	35,263,491

Earnings per share	6 months to 31 March 2007 pence	6 months to 31 March 2006 pence	12 months to 30 September 2006 pence
Continuing operations			
Basic loss per share	**(7.7)**	(5.6)	(9.4)
Diluted loss per share	**(7.6)**	(5.5)	(9.1)
Discontinued operations			
Basic loss per share	**–**	(0.3)	(0.7)
Diluted loss per share	**–**	(0.3)	(0.7)
Total			
Basic loss per share	**(7.7)**	(5.9)	(10.1)
Diluted loss per share	**(7.6)**	(5.8)	(9.8)

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

5. TAXATION

	6 months to 31 March 2007 £'000	6 months to 31 March 2006 £'000	12 months to 30 September 2006 £'000
Current income tax			
Foreign tax	**(257)**	(292)	(613)
Total current income tax	**(257)**	(292)	(613)
Deferred tax			
Origination and reversal of temporary differences	**(119)**	(149)	(402)
Adjustment to previous year	**–**	–	280
Total deferred tax	**(119)**	(149)	(122)
Tax charge in the income statement	**(376)**	(441)	(735)

6. DISCONTINUED OPERATIONS

	6 months to 31 March 2007 £'000	6 months to 31 March 2006 £'000	12 months to 30 September 2006 £'000
Revenue	**–**	122	129
Expenses	**–**	(225)	(359)
Operating loss and loss after tax for the period for discontinued operations	**–**	(103)	(230)
Loss for the period from discontinued operations	**–**	(103)	(230)

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

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**

8. CONTINGENT LIABILITIES

The consideration for the sale of the Converted Products Division, which was sold in January 2005, included a deferred element totalling £2.0 million, which was due for payment in January 2007. At this time, an amount of £1.25 million was paid by the purchaser, with the remaining £750,000 withheld.

This amount is guaranteed by an independent insurance company but it has, to date, declined to make payment. The Directors consider that this amount may not be lawfully withheld and are vigorously pursuing legal action in respect of the outstanding £750,000. Legal advice obtained indicates that a successful recovery is probable and consequently, no provision against the recoverability of the outstanding deferred consideration has been made in the accounts.

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 March 2007 which comprises 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 report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' 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 report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the 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 accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2007.

Ernst & Young LLP
Manchester

30 May 2007

Produced by Perceptions/KWD 01284 755510 kwd.co.uk

API Group plc
Second Avenue, Poynton Industrial Estate, Poynton,
Stockport, Cheshire SK12 1ND
Tel: +44 (0) 1625 858700 Fax: +44 (0) 1625 858701 www.apigroup.com