



API Group plc
Interim Report
2010

API in Action



API is a leading producer and distributor of speciality foils and laminates used primarily in the graphics and packaging industries. The main end use markets are in premium, fast-moving consumer goods such as alcoholic drinks, perfumery, cosmetics, healthcare, speciality food and tobacco.

These sectors use high impact finishes and effects on labelling and packaging to reinforce and authenticate brand image.



Wisk

A major product launch in the US home care sector featured “pillars of light” holographic foil selected by the brand owner from API’s award winning Foil Selection Guide. Taking centre stage in TV and press advertising, the packaging graphics were carefully chosen to reinforce the message of Wisk’s new “stain spectrum technology”.

Nivea

At the forefront of “Fresnel” lens development, underpinned by world class registration technology, API Laminates leads the market in the adaptation of this exciting new film technology for branded products packaging in the beauty, personal care and premium products sectors.



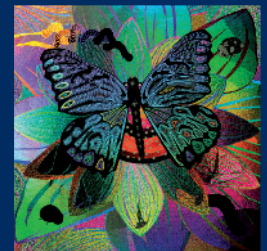
Guinness World Records

Guinness World Records worked exclusively with API’s design team to develop the cover for their 2011 edition. The result of that collaboration, launched in bookstores throughout the world, featured a specially developed holographic film with “flame” effects, laminated to paper and seamlessly integrated with the printed graphics.



Holoshield/Hologuard

API Holographics has recently launched a new generation of security holograms to assist clients in the fight against counterfeiting of products and documents. Hologuard and Holoshield incorporate multilayered overt and covert features, including colour and picture switching technology, nano scale and screen-decodable images.



Headlines

- Sales from continuing operations 24% ahead of last year at £47.0m (23% ahead at constant exchange rates).
- Operating profits from continuing operations of £2.5m, against a loss of £0.2m at the interim stage last year.
- All business units ahead of last year with a particularly strong performance from Laminates. Foil margins down on preceding six months due to escalating raw material costs.
- Profit before tax of £1.3m (2009/10 first half: loss of £1.8m).
- Net operating cash flow in the period of £2.7m reducing net debt to £14.4m compared to £18.5m at March 2010 and £16.0m at September 2009. Debt cover ratio on main UK borrowings down from 2.6 at March 2010 to 1.7.
- Decision to exit loss-making, foil manufacturing operation in China. Sale of the Group's 51% shareholding at an advanced stage with completion expected in December 2010.
- Loss from discontinued operations of £6.7m (£3.3m attributable to minority interests), primarily asset write-downs and trading losses in China.

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Report on Interim Results

for the six months ended 30 September 2010

Group Income Statement

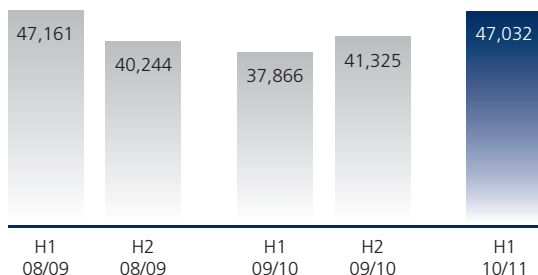
The presentation of the income statement has been amended to reflect an expected change in the Group's portfolio of businesses. In June 2010, the Group announced a strategic review of its 51% interest in Shanghai Shen Yong Stamping Foil Company Limited located in China. During the review, the Board considered all options for turning around the results of the operation, assessed future prospects and investment needs and concluded that it would be in the best interests of Shareholders' to exit the venture. Subsequently, a sale process was conducted and, as at the date of this report, negotiations were at an advanced stage to divest the Group's shareholding. Results of the China subsidiary have therefore been classified as discontinued in the income statement and comparatives re-stated to reflect this treatment.

Continuing operations now comprise the European laminated packaging material business, foil manufacturing and distribution operations based in the US and Europe and foils distribution units located in the Asia Pacific region. The latter have been incorporated into Foils Europe for reporting purposes.

Revenues from continuing operations, at £47.0m, were 23% higher than the same period last year at constant exchange rates and 24% higher at actual exchange rates. Revenues were also 14% ahead of the preceding six month period. All businesses saw revenues rise year on year, with Laminates increasing sales by 42%, Foils Europe by 12% and Foils US by 20%. Operating profits from continuing operations, before exceptional items, increased from £0.2m to £2.5m, translating to an overall operating margin of 5.3%.

Sales Revenue (continuing)

(£'000)



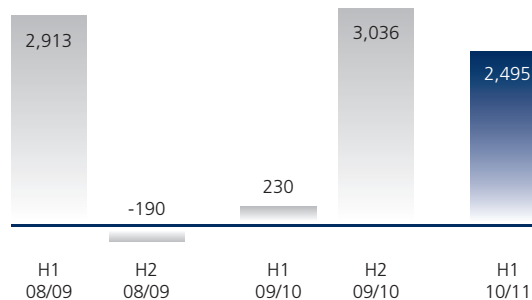
For the Group as a whole, profits increased as a result of the contribution from higher revenues while improved sales mix partly offset the impact of rapidly increasing raw material costs towards the end of the period.

Production costs rose by just over 5% to accommodate the 24% growth in revenues and non-factory overhead costs increased by £0.7m as a result of measures to strengthen the sales force in anticipation of more favourable market conditions combined with higher accruals for management incentive programs in line with the improved results.

All business units contributed to the improvement in the Group's results, with Laminates ahead £1.7m and the foils businesses in Europe and the US ahead £0.5m and £0.3m respectively. Compared to the preceding six months, operating profits were down £0.5m, despite higher volumes, due to increased raw material costs and non-factory overhead costs.

Operating Profit (continuing)

(£'000)



There were no exceptional items in the period, compared to the £0.4m of reorganisation costs incurred in the first half of 2009/10.

Net financing costs of £1.1m were down £0.5m due to reduced debt service costs (£0.3m) and lower pension related charges (£0.2m).

Net profit after tax from continuing operations was £1.1m compared to a loss of £1.8m in the six months to September 2009. Relative to the second half of last year, net profits from continuing operations were broadly unchanged after adjusting for the recognition of an additional £2.8m of deferred tax assets at March 2010.

Earnings per share for continuing operations were 1.5p (2009: loss of 2.5p).

Review of Operations

Europe: Laminates

After a quiet 2009/10, Laminates experienced a significant rebound in activity. At £19.2m, interim rates were 42% ahead of the last year and 33% up on the preceding six months. Investment in packaging development services paid dividends, with a number of important projects coming to fruition, adding to a recovery in demand for core product lines in the alcoholic drinks segment. With improved sales mix and excellent cost control, operating results ended the first half at £2.4m compared to £0.7m for the same period last year.

Europe: Foils

The Foils Europe reporting segment now includes results from the residual operations in Asia Pacific since the Group's subsidiary in China has been classified as discontinued.

Foils Europe sales, at £17.6m, were 12% higher at constant exchange rates compared to the same period last year and unchanged on the preceding six month period. Overall volumes, primarily reflecting activity in the packaging sector, stabilised after a period of recovery and restocking post the 2008/9 recession. All territories were ahead against last year's first half. Compared to the second half of last year, further growth was registered in France, the UK, Hong Kong and Australia whilst sales fell back in Italy. Security Holographics revenues also declined against the previous six months due to the timing of orders for certain key contracts.

Foils Europe operating profits increased from £0.4m to £1.0m, representing an operating margin of 5.4%. The improvement was due to the contribution from higher sales. Compared to a particularly strong preceding six months, profits were down by just over a half due to weaker sales mix and especially increased raw material costs. Market prices for polyester film increased by more than 50% over the period and are continuing to escalate due to global constraints on supply which are not expected to abate until significant new capacity comes on stream during late 2011/early 2012. So far, action to raise selling prices has not kept pace with the speed and severity of cost increases, which has in turn led to an

erosion of margins. After successfully implementing one round of price increases, management is now pressing ahead with a second round, with the intention of restoring margins to acceptable levels.

North America

Sales from US operations continued their steady recovery from the collapse experienced in late 2008. Revenues, at £11.7m, were 15% ahead of the same period last year at constant exchange rates and 8.5% higher than the preceding six months. Sales to the label and ink sectors were particularly encouraging, partly offset by a drop in shipments to greeting card customers. Operating results improved to breakeven from a loss of £0.3m at the interim stage last year, although profits fell back compared to last year's second half as sales growth was primarily satisfied from inventory draw-down and margins were eroded by rising raw material costs. The US foils business is facing the same challenge as Foils Europe in dealing with escalating polyester costs, exacerbated by the ill-timed imposition of new import tariffs by the US Department of Commerce. Pricing action is being taken to ensure rising input costs are passed through to customers and margins restored to previous levels.

Discontinued Operations

Third party sales originating from the operation in China were £4.1m, an increase of 59% over last year and 33% over the preceding six months at constant exchange rates. Despite the improved volumes and a lower depreciation charge following the impairment of fixed assets at March 2010, losses reduced only marginally to £1.0m due to declining margins and the impact of higher raw material costs.

As with the income statement, the balance sheet has been reclassified and now shows the China business as a disposal group and valued in line with expected proceeds from the sale of the Group's 51% shareholding. As a result, assets have been impaired by a further £5.9m, or £3.0m after accounting for minority interests.

Report on Interim Results

for the six months ended 30 September 2010

Cash Flow and Borrowings

Group net cash flow from operating activities was £2.7m (2009: £0.4m) including a contribution from discontinued activities of £0.5m. Working capital was held broadly flat in spite of the significant upturn in activity. As a result, working capital efficiency, measured by reference to trailing three month sales, improved to 11.2% from 12.7% at March 2010.

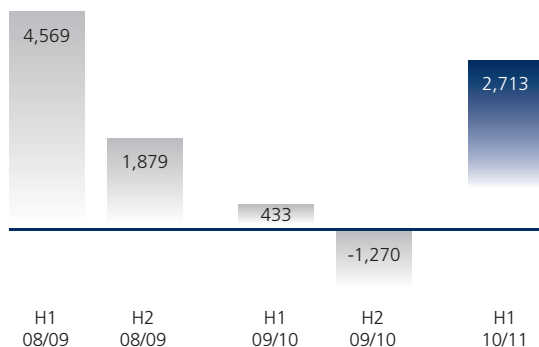
Capital expenditure at £0.6m was all spent in the continuing businesses, a £0.2m increase over the same period last year. As the financial condition of the Group improves, it is expected that the Board will start to consider an increase in the rate of capital expenditure, especially in support of initiatives to enhance the product range and to take advantage of growth opportunities.

Group net debt fell from £18.5m at March 2010 to £14.4m at 30 September 2010 assisted by the re-classification of £3.2m of net debt in China.

The Group's main lending arrangements are with Barclays Bank plc in the UK and Wells Fargo in the US. Both facilities are in place until July 2013. In the period since 31 March 2010, all covenant requirements were comfortably met. At 30 September 2010, debt cover, the ratio of borrowings to trailing 12 month EBITDA, on the main UK facility was 1.7 times compared with 4.5 at September 2009 and 2.6 at March 2010.

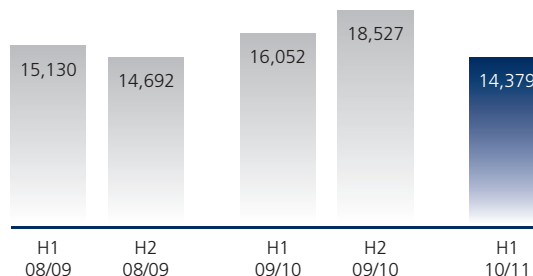
Operating Cash Flow

(£'000)



Net Debt

(£'000)



Pension Deficit

The IAS 19 valuation of the UK and US defined benefit pension schemes reduced from £16.4m at March 2010 to £15.3m at 30 September 2010. Scheme assets were broadly unchanged over the six month period with falling equity values offset by growth in the value of bond investments.

Scheme liabilities reduced from £86.3m to £85.1m during the half year as assumptions on UK inflation more than compensated for a lower discount rate.

The discount rate used to calculate the present value of future pension obligations is benchmarked to market yields on AA rated corporate bonds. Yields fell by 0.5% in the six months to 30 September 2010.

There were two changes to inflation assumptions, which contributed to a reduction in calculated scheme liabilities. First, the long-term outlook for UK inflation fell by 0.6% and secondly, the basis of indexation used for certain UK scheme benefits was revised from the RPI measure of inflation to the lower CPI. The latter change is a consequence of an announcement by the UK Government in July 2010 to the effect that CPI is to be adopted as the basis of "statutory inflation". A detailed review of the impact of that decision on the API scheme has been carried out and, after receiving independent advice, the Board is satisfied that it is valid to adopt CPI for certain elements of the scheme. The effect of the change from RPI to CPI is an estimated reduction in scheme liabilities of £4.5m.

Employees

The Board would like to recognise the contribution made by all employees to the improvement in the Group's performance and financial condition. Their continued flexibility and commitment is essential in providing customers with high quality, cost effective products and services on which the growth and the development of the business is founded.

Outlook

Laminates' strong performance is expected to be maintained over the coming months, although the second half is traditionally weaker in certain key market sectors.

There is no sign of an easing in the pressure on margins in the foils businesses as raw material costs continue to escalate due to the global capacity imbalance affecting polyester film supply. Whilst further increases in selling prices are essential to recover these exceptional cost increases, any time lag will inevitably impact results. Second half profitability in Foils Europe will benefit from an improved mix, reflecting a particularly strong order book for higher added value holographic products.

Further progress is expected on debt reduction, based on trading results, receipts from the China disposal and a modest level of capital investment.

Group Income Statement

for the six months ended 30 September 2010

	Note	Unaudited 6 months to 30 September 2010 £'000	Unaudited 6 months to 30 September 2009 £'000	Audited Year to 31 March 2010 £'000
Continuing operations				
Revenue	2	47,032	37,866	79,192
Cost of sales		(35,598)	(30,001)	(60,541)
Gross profit		11,434	7,865	18,651
Other operating costs		(8,939)	(7,635)	(15,385)
Operating profit before exceptional items	2	2,495	230	3,266
Exceptional items	3	—	(423)	(626)
Operating profit/(loss) from continuing operations		2,495	(193)	2,640
Finance revenue	4	8	—	40
Finance costs	4	(1,159)	(1,616)	(3,018)
		(1,151)	(1,616)	(2,978)
Profit/(loss) on continuing activities before taxation		1,344	(1,809)	(338)
Tax (expense)/credit	5	(269)	38	2,804
Profit/(loss) from continuing operations		1,075	(1,771)	2,466
Discontinued operations				
(Loss)/profit from discontinued operations	6	(6,656)	2,001	(4,358)
(Loss)/profit for the period		(5,581)	230	(1,892)
Profit/(loss) attributable to equity holders of the parent				
— continuing operations		1,075	(1,771)	2,466
— discontinued operations		(3,348)	960	(2,342)
(Loss)/profit attributable to minority equity interest				
— discontinued operations		(3,308)	1,041	(2,016)
(Loss)/profit for the period		(5,581)	230	(1,892)
Earnings per share (pence)				
Basic earnings/(loss) per share from continuing operations	7	1.5	(2.5)	3.5
Diluted earnings/(loss) per share from continuing operations	7	1.4	(2.5)	3.3
Basic (loss)/earnings per share on (loss)/profit for the period	7	(3.2)	(1.2)	0.2
Diluted (loss)/earnings per share on (loss)/profit for the period	7	(3.0)	(1.2)	0.2

Group Statement of Comprehensive Income

for the six months ended 30 September 2010

	Unaudited 6 months to 30 September 2010 £'000	Unaudited 6 months to 30 September 2009 £'000	Audited Year to 31 March 2010 £'000
(Loss)/profit for the period	(5,581)	230	(1,892)
Exchange differences on retranslation of foreign operations	(430)	(1,870)	5,973
Change in fair value of effective cash flow hedges	(209)	120	(360)
Actuarial gains/(losses) on defined benefit pension plans	1,105	(3,968)	(3,925)
Movement in deferred tax asset relating to defined benefit pension plans	(496)	1,111	1,099
Other comprehensive (loss)/income for the period	(30)	(4,607)	2,787
Total comprehensive (loss)/income and expense for the period, net of tax	(5,611)	(4,377)	895
Attributable to:			
Equity holders of the parent	(2,293)	(4,663)	(1,875)
Minority equity interest	(3,318)	286	2,770
	(5,611)	(4,377)	895

Group Balance Sheet

at 30 September 2010

	Note	Unaudited 30 September 2010 £'000	Unaudited 30 September 2009 £'000	Audited 31 March 2010 £'000
Assets				
Non-current assets				
Property, plant and equipment		17,567	33,969	28,772
Intangible assets — goodwill		5,188	5,188	5,188
Trade and other receivables		122	176	134
Deferred tax assets		7,045	3,419	7,738
		29,922	42,752	41,832
Current assets				
Trade and other receivables		16,602	13,728	16,697
Inventories		9,521	11,008	13,110
Cash and short-term deposits	8	1,572	1,387	1,041
		27,695	26,123	30,848
Assets of disposal group held for sale	6	8,642	—	—
Total assets		66,259	68,875	72,680
Liabilities				
Current liabilities				
Trade and other payables		16,637	17,530	18,444
Financial liabilities	9	2,798	17,721	5,416
Income tax payable		402	372	346
		19,837	35,623	24,206
Non-current liabilities				
Financial liabilities	9	13,614	—	14,404
Deferred tax liabilities		256	256	256
Provisions		93	57	97
Deficit on defined benefit pension plans	10	15,251	11,133	16,406
		29,214	11,446	31,163
Liabilities attributable to disposal group held for sale	6	5,449	—	—
Total liabilities		54,500	47,069	55,369
Net assets		11,759	21,806	17,311
Equity				
Called up share capital		701	701	701
Share premium		7,136	7,136	7,136
Other reserves		8,595	8,595	8,595
Foreign exchange reserve		2,889	2,377	3,309
Retained earnings		(9,619)	(5,062)	(7,805)
API Group Shareholders' equity		9,702	13,747	11,936
Minority interest		2,057	8,059	5,375
Total equity		11,759	21,806	17,311

Group Statement of Changes in Shareholders' Equity

for the six months ended 30 September 2010

	Equity share capital £'000	Share premium £'000	Other reserves £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total Shareholders' equity £'000
Balance at 1 April 2009	701	7,136	8,595	3,492	(1,526)	18,398
Total recognised income and expense for the period	—	—	—	(1,115)	(3,548)	(4,663)
Share-based payments	—	—	—	—	12	12
Balance at 30 September 2009	701	7,136	8,595	2,377	(5,062)	13,747
Total recognised income and expense for the period	—	—	—	932	(2,761)	(1,829)
Share-based payments	—	—	—	—	18	18
Balance at 31 March 2010	701	7,136	8,595	3,309	(7,805)	11,936
Total recognised income and expense for the period	—	—	—	(420)	(1,873)	(2,293)
Share-based payments	—	—	—	—	59	59
Balance at 30 September 2010	701	7,136	8,595	2,889	(9,619)	9,702

Group Cash Flow Statement

for the six months ended 30 September 2010

	Unaudited 6 months to 30 September 2010 £'000	Unaudited 6 months to 30 September 2009 £'000	Audited Year to 31 March 2010 £'000
	Note		
Operating activities			
Operating profit/(loss) from continuing activities	2,495	(193)	2,640
<i>Adjustments to reconcile operating profit/(loss) from continuing activities to net cash flow from operating activities:</i>			
Operating loss from discontinued activities	(6,801)	(1,467)	(7,752)
Depreciation of property, plant and equipment	1,688	1,975	3,820
Impairment of property, plant and equipment	5,850	—	5,083
(Profit)/loss on disposal of property, plant and equipment	(12)	19	10
Movement in foreign exchange hedging contracts	—	42	—
Share-based payments	59	12	30
Difference between pension contributions paid and amounts recognised in the income statement	(435)	(174)	(854)
Decrease/(increase) in inventories	1,279	1,157	(590)
(Increase)/decrease in trade and other receivables	(2,650)	285	(2,302)
Increase/(decrease) in trade and other payables	1,281	(1,280)	(862)
Movement in provisions	(4)	(4)	36
Cash generated from operations	2,750	372	(741)
Income taxes (paid)/recovered	(37)	61	(96)
Net cash flow from operating activities	2,713	433	(837)
Investing activities			
Interest received	8	—	40
Purchase of property, plant and equipment	(567)	(696)	(1,193)
Sale of property, plant and equipment	49	24	30
Payment of legal costs in respect of discontinued operations	—	(281)	(12)
Net cash flow from investing activities	(510)	(953)	(1,135)
Financing activities			
Interest paid	(852)	(849)	(1,458)
Dividends paid to minority interests	—	(434)	(434)
New borrowings	1,562	1,124	7,131
Repayment of borrowings	(2,669)	(768)	(3,850)
Net cash flow from financing activities	(1,959)	(927)	1,389
Increase/(decrease) in cash and cash equivalents	244	(1,447)	(583)
Effect of exchange rates on cash and cash equivalents	86	(93)	(114)
Cash and cash equivalents at the beginning of the period	(546)	151	151
Cash and cash equivalents at the end of the period	8	(1,389)	(546)

Notes to the Interim Financial Statements

1. (a) Corporate information

The consolidated interim financial statements of API Group plc for the six months ended 30 September 2010 were authorised for issue in accordance with a resolution of the Directors on 1 December 2010.

API Group plc is a public limited company incorporated and domiciled in England and Wales. The Company's shares are traded on the Alternative Investment Market of the London Stock Exchange.

The principal activities of the Group are the manufacture and distribution of speciality foils, films and laminated materials.

(b) Basis of preparation

The interim consolidated financial statements of the Group for the six months ended 30 September 2010 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

These interim consolidated financial statements are unaudited. They do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and therefore do 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 31 March 2010, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU. The audited annual financial statements for the year ended 31 March 2010, which represent the statutory accounts for that period, and on which the Auditors gave an unqualified opinion, have been filed with the Registrar of Companies.

The Directors consider that after making appropriate enquiries that there is reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing these financial statements.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010.

Notes to the Interim Financial Statements

2. Segmental information

The Group produces monthly management information to enable the Board, including the Chief Executive Officer, to monitor the financial performance of the constituent parts. The information is analysed by geographical region, with Europe broken down further by the major product categories of Foils and Laminates. Since China comprised such a substantial proportion of the Asia Pacific operations, results for the residual businesses within that region have now been grouped together with those of Foils Europe.

	Unaudited 6 months to 30 September 2010 £'000	Unaudited 6 months to 30 September 2009 £'000	Audited Year to 31 March 2010 £'000
Continuing operations			
Total revenue by origin			
Europe			
Foils*	17,613	15,738	33,328
Laminates	19,233	13,524	28,000
Intra-Europe	(225)	(188)	(373)
	36,621	29,074	60,955
North America	11,691	9,752	20,020
	48,312	38,826	80,975
Inter-segmental revenue			
Europe			
Foils*	1,072	935	1,687
Laminates	14	—	—
Intra-Europe	(225)	(188)	(373)
	861	747	1,314
North America	419	213	469
	1,280	960	1,783
External revenue by origin			
Europe			
Foils*	16,541	14,803	31,641
Laminates	19,219	13,524	28,000
	35,760	28,327	59,641
North America	11,272	9,539	19,551
	47,032	37,866	79,192

* Europe — Foils incorporates the continuing Asia Pacific businesses.

2. Segmental information continued

	Unaudited 6 months to 30 September 2010 £'000	Unaudited 6 months to 30 September 2009 £'000	Audited Year to 31 March 2010 £'000
Continuing operations			
Operating profit/(loss)			
Europe			
Foils*	952	438	2,510
Laminates	2,392	736	2,034
	3,344	1,174	4,544
North America	4	(278)	(64)
Segment result	3,348	896	4,480
Central costs	(853)	(666)	(1,214)
Total operating profit before exceptional items	2,495	230	3,266

* Europe — Foils incorporates the continuing Asia Pacific businesses.

3. Exceptional items

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.

The charges included in continuing operations in previous periods comprise redundancy and other costs incurred for rationalising the Group's activities in line with reduced demand.

Notes to the Interim Financial Statements

4. Finance revenue and finance costs

	Unaudited 6 months to 30 September 2010 £'000	Unaudited 6 months to 30 September 2009 £'000	Audited Year to 31 March 2010 £'000
Finance revenue			
Interest receivable on bank and other short term deposits	—	—	2
Other interest receivable	8	—	38
	8	—	40
Finance costs			
Interest payable on bank loans and overdrafts	(744)	(1,041)	(1,831)
Other interest payable	(4)	—	(49)
Finance cost in respect of defined benefit pension plans	(411)	(575)	(1,138)
	(1,159)	(1,616)	(3,018)

5. Taxation

	Unaudited 6 months to 30 September 2010 £'000	Unaudited 6 months to 30 September 2009 £'000	Audited Year to 31 March 2010 £'000
Current income tax			
UK Corporation tax — refund in respect of prior years	—	46	46
Overseas tax — current year charge	(67)	(53)	(134)
— adjustments in respect of prior-year tax charge	(34)	—	—
Total current income tax charge	(101)	(7)	(88)
Deferred tax			
Origination and reversal of temporary differences	(168)	45	2,892
Total deferred tax	(168)	45	2,892
Total (charge)/credit in the Income Statement	(269)	38	2,804

6. Discontinued operations

In the financial statements for the year ended 31 March 2010, it was announced that the Board had commenced a strategic review of the Group's investment in its 51% owned subsidiary based in China. As a result of that review, a decision was taken to eliminate exposure to continuing losses by selling the Group's stake in the venture. Negotiations for the sale are at an advanced stage with completion expected in December 2010. In accordance with IFRS 5, the results of the China business, including prior year comparatives, have therefore been reclassified under discontinued operations. In respect of the balance sheet at 30 September 2010, China operations have been classified as a disposal group held for sale.

The results of the China business are presented below:

	Unaudited 6 months to 30 September 2010 £'000	Unaudited 6 months to 30 September 2009 £'000	Audited Year to 31 March 2010 £'000
Revenue — External	4,128	2,465	5,382
— Inter-Group	585	612	1,339
	4,713	3,077	6,721
Cost of sales	(4,257)	(2,971)	(6,286)
Gross loss	(129)	(506)	(904)
Other operating costs	(822)	(694)	(1,498)
Operating loss before exceptional items	(951)	(1,200)	(2,402)
Exceptional items			
Impairment of property, plant and equipment	(5,850)	—	(5,083)
Relocation of China factory	—	(267)	(267)
Operating loss from discontinued operations	(6,801)	(1,467)	(7,752)
Finance costs	(90)	(52)	(111)
Loss on discontinued activities before taxation	(6,891)	(1,519)	(7,863)
Tax credit — reversal of prior-year tax charge	—	3,520	3,505
(Loss)/profit on discontinued activities after taxation	(6,891)	2,001	(4,358)

Impairment of property, plant and equipment

At 31 March 2010, following two years of significant losses, the carrying value of the property, plant and equipment of the China business was written down to reflect its fair value less costs to sell, resulting in an impairment charge of £5,083,000. Following the decision to exit the venture and its reclassification as a disposal group held for sale, assets have been further impaired to bring the value down to the expected realisable proceeds from the sale, which has resulted in an additional write down of property, plant and equipment, as at 30 September 2010, of £5,850,000. The Group's 51% share of this impairment is £2,984,000 (31 March 2010: £2,592,000), with a corresponding reduction in the minority interest of £2,866,000 (31 March 2010: £2,491,000).

Tax credit — reversal of prior-year tax charge

In the year to 31 March 2009, a provision of Rmb 38m was made in respect of the profit on sale of surplus property in Shanghai after the relocation of operations to a new site. During the 12 months to 31 March 2010, documentation was received from the Chinese authorities which confirmed that no specific land taxation was payable on this transaction. Accordingly, the provision was released.

Notes to the Interim Financial Statements

6. Discontinued operations continued (Loss)/profit from discontinued operations

	Unaudited 6 months to 30 September 2010 £'000	Unaudited 6 months to 30 September 2009 £'000	Audited Year to 31 March 2010 £'000
(Loss)/profit after taxation of China business (see page 15)	(6,891)	2,001	(4,358)
Adjustment to prior-year losses on disposal of discontinued businesses	235	—	—
Loss on discontinued operations per the Income Statement	(6,656)	2,001	(4,358)

The adjustment to prior-year losses on disposal of discontinued businesses relates to the reversal of accrued legal fees connected with a prior business disposal.

Assets and liabilities of disposal group held for sale

The assets and liabilities of the China business are as follows:

	Unaudited 30 September 2010 £'000
Assets	
Property, plant and equipment	3,826
Trade and other receivables	2,482
Inventories	2,153
Cash and short-term deposits	181
	8,642
Liabilities	
Trade and other payables	2,509
Financial liabilities	2,940
	5,449

Net cash flows relating to discontinued activities

The net cash flows attributable to the China business are as follows:

	Unaudited 6 months to 30 September 2010 £'000	Unaudited 6 months to 30 September 2009 £'000	Audited Year to 31 March 2010 £'000
Operating activities	542	(856)	(2,270)
Investing activities	(36)	(316)	(673)
Financing activities	(480)	410	1,269
	26	(762)	(1,674)

7. Earnings per share

	Unaudited 6 months to 30 September 2010 £'000	Unaudited 6 months to 30 September 2009 £'000	Audited Year to 31 March 2010 £'000
Profit/(loss) attributable to equity holders of the parent company — continuing operations	1,075	(1,771)	2,466
(Loss)/profit attributable to equity holders of the parent company — discontinued operations	(3,348)	960	(2,342)
Net (loss)/profit attributable to equity holders of the parent company	(2,273)	(811)	124

	Unaudited 6 months to 30 September 2010 No.	Unaudited 6 months to 30 September 2009 No.	Audited Year to 31 March 2010 No.
Basic weighted average number of ordinary shares	70,068,505	70,068,505	70,068,505
Dilutive effect of employee share options	3,025,425	—	2,798,466
Dilutive effect of warrants	3,506,336	—	1,210,406
Diluted weighted average number of ordinary shares	76,600,266	70,068,505	74,077,377

The weighted average number of shares excludes the shares owned by the API Group plc No.2 Employee Benefit Trust (58,221; 30 September 2009 and 31 March 2010: 58,221).

The warrants for 3,506,336 ordinary shares were exercised in October 2010.

As any dilution would have the effect of reducing the loss per share, the diluted weighted average number of shares for the six months ended 30 September 2009 is equivalent to the basic weighted average number of shares.

	Unaudited 6 months to 30 September 2010 pence	Unaudited 6 months to 30 September 2009 pence	Audited Year to 31 March 2010 pence
Earnings per share			
Continuing operations			
Basic earnings/(loss) per share	1.5	(2.5)	3.5
Diluted earnings/(loss) per share	1.4	(2.5)	3.3
Discontinued operations			
Basic (loss)/earnings per share	(4.7)	1.3	(3.3)
Diluted (loss)/earnings per share	(4.4)	1.3	(3.1)
Total			
Basic (loss)/earnings per share	(3.2)	(1.2)	0.2
Diluted (loss)/earnings per share	(3.0)	(1.2)	0.2

Notes to the Interim Financial Statements

8. Cash and cash equivalents

	Unaudited 30 September 2010 £'000	Unaudited 30 September 2009 £'000	Audited 31 March 2010 £'000
Included in balance sheet			
Cash and short-term deposits	1,572	1,387	1,041
Bank overdrafts	(1,969)	(2,776)	(1,587)
	(397)	(1,389)	(546)
Included in assets of disposal Group	181	—	—
	(216)	(1,389)	(546)

9. Financial liabilities

	Unaudited 30 September 2010 £'000	Unaudited 30 September 2009 £'000	Audited 31 March 2010 £'000
Current			
Included in balance sheet			
Bank overdrafts	1,969	2,776	1,587
Current instalments on bank loans	520	14,663	3,679
Forward currency hedging contracts	183	42	—
Interest rate swaps	126	240	150
	2,798	17,721	5,416
Included in liabilities of disposal Group	2,940	—	—
	5,738	17,721	5,416
Non-current			
Included in balance sheet			
Non-current instalments due on bank loans	13,462	—	14,302
Interest rate swap	152	—	102
	13,614	—	14,404

10. Defined benefit pension plan deficit

The Group operates two defined benefit schemes, the API Group Pension and Life Assurance Scheme in the UK and the API Foils Inc North American Pension Plan in the US. Both of these schemes are closed to future accrual. The assets and liabilities of the defined benefit schemes are:

	Unaudited 30 September 2010 £'000	Unaudited 30 September 2009 £'000	Audited 31 March 2010 £'000
United Kingdom			
Fair value of scheme assets	68,153	64,493	68,142
Present value of scheme liabilities	(82,745)	(74,786)	(83,863)
	(14,592)	(10,293)	(15,721)
United States			
Fair value of scheme assets	1,713	1,564	1,779
Present value of scheme liabilities	(2,372)	(2,404)	(2,464)
	(659)	(840)	(685)
Net pension liability	(15,251)	(11,133)	(16,406)
The movements in the net pension liability are as follows:			
Opening liability	16,406	7,081	7,081
Net cost recognised in arriving at operating profit	—	—	—
Net cost recognised in finance costs	411	575	1,138
Taken to Statement of Comprehensive Income	(1,106)	3,968	9,085
Contributions from and scheme expenses borne by employers	(434)	(413)	(853)
Exchange differences	(26)	(78)	(45)
Closing liability	15,251	11,133	16,406

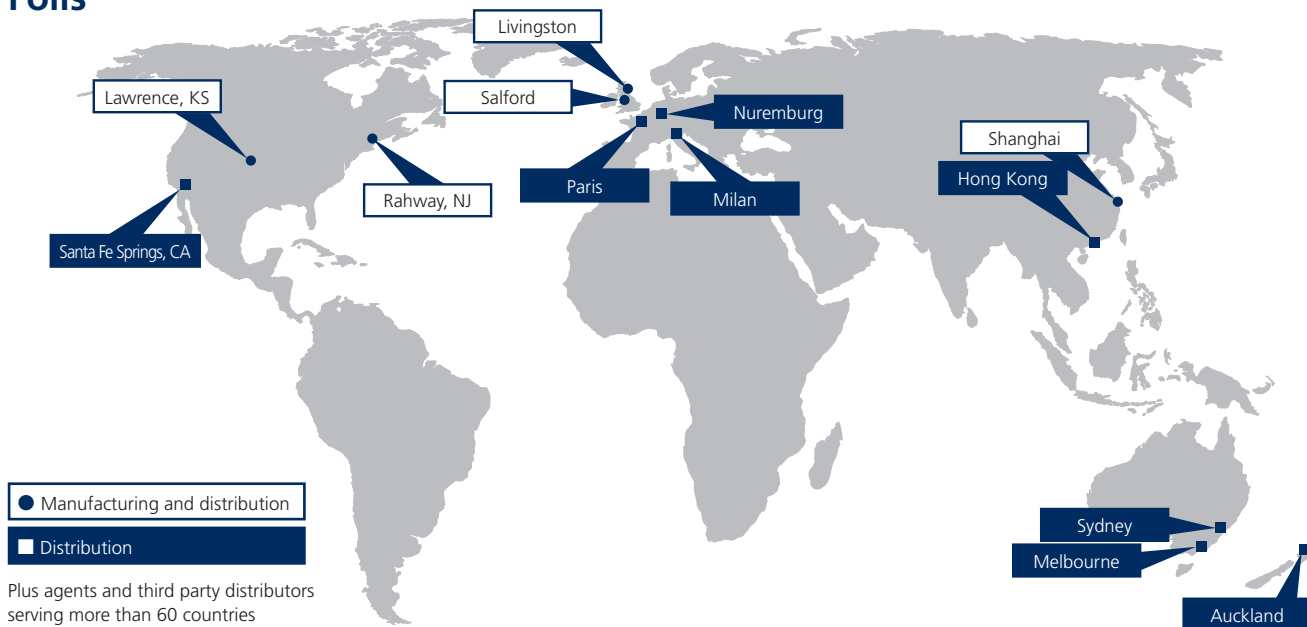
The main assumptions used in valuing the present value of the scheme liabilities in the UK are as follows:

Rate of increases in pensions in payment and deferred pensions	2.8%/2.3%	2.75%	3.30%
Inflation	2.9%/2.4%	2.95%	3.50%
Discount rate	5.15%	5.70%	5.65%

The rate of increases in pension and the inflation rate assumptions have been reduced by 0.5% with effect from 1 October 2011 to reflect the change in the statutory inflation measure from RPI to CPI in the UK.

Locations

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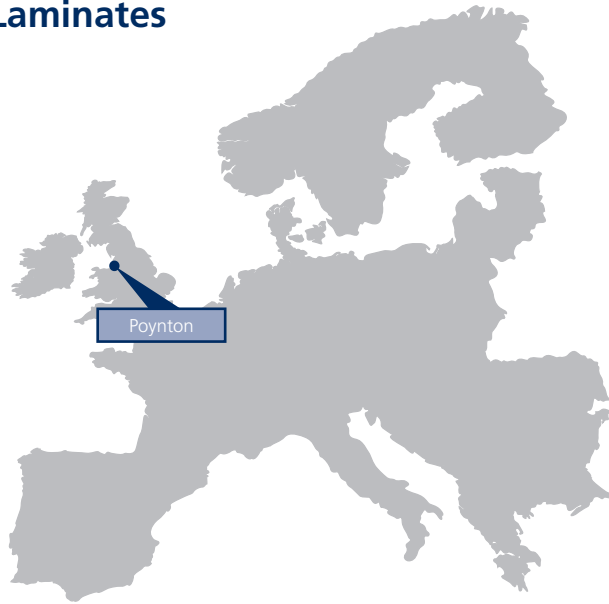
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Laminates



Manufacturing & Distribution

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Paperboard & paper laminates



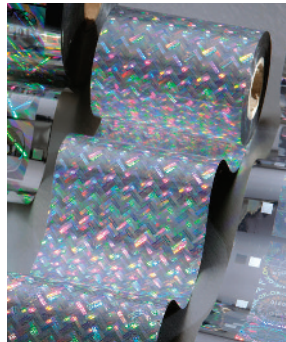
Pigment foils



Metallic transfer foils



Security foils & films



Decorative foils & films



The logo graphic consists of two overlapping circular shapes. The larger one is a dark blue circle, and the smaller one is a light grey circle. They overlap in the center, creating a lens-like effect.

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