



API Group plc

Interim Report

2011



API Group plc

API enhances the visual appeal of products and packaging; helping our customers to communicate brand values and authenticity.

API is a leading manufacturer and distributor of foils, films and laminates used to enhance the visual appeal of consumer products and packaging and to communicate brand values and authenticity.

Operating from a global network of manufacturing and distribution facilities, API supplies printers, converters and manufacturers with materials to meet the requirements of brand owners and specifiers in the food, confectionary & beverage sectors, as well as personal care & beauty, tobacco, media, electronic goods, textiles & leather goods, government and financial services.

Front and Rear Cover design using
Holonique from API Holographics

Holo(nique)[®]

API's low cost route to customised holographics.



API is a major supplier for wine labels world-wide. The Mondavi label shows how using API's market leading overprintable hot stamping foil helped the brand owner achieve their objective to enhance the brand value and product appeal.

Headlines

- ▶ First half revenues of £58.5m, 24% ahead of last year.
- ▶ Operating profits from continuing operations 51% higher at £3.8m, operating margin of 6.4%.
- ▶ No exceptional charge for flood damage at New Jersey manufacturing facility compared to an initial estimate of a £700k net loss.
- ▶ Profit before tax up 123% to £2.9m (2010: £1.3m) from continuing operations.
- ▶ Basic earnings per share 3.6p (2010: 1.5p).
- ▶ IAS 19 pension deficit (net of deferred tax) down to £5.1m from £11.1m last year and £7.2m at March 2011.
- ▶ Net debt at £10.0m compared to £14.4m at 30 September 2010 and £8.9m at 31 March 2011. Net debt to EBITDA 1.0x (2010: 1.7x).
- ▶ Laminates investment on track with expected start-up in April 2012 and incremental revenues of £15–20m p.a.



API Holographics produces the highest quality security holograms for customers in over 30 countries. Creating bespoke designs that incorporate overt, covert and forensic security features, API manufactures at its specialist site in Salford a highly technical product that adds protection and authentication in a range of different applications.



API Laminates' exclusive 'Fresnel Lens' technology, combined with its world class print registration capability, has been used to support a number of product launches with major brand owners.



Report on the Interim Results

for the 6 months ended 30 September 2011

Group income statement

Revenue from continuing operations of £58.5m was 25% higher at constant exchange rates compared to the same period last year and 24% ahead at actual rates. In comparison to the preceding six month period, revenues were up 11%.

Higher volumes accounted for 15% revenue growth, with the balance coming from higher selling prices. Price increases broadly recovered the impact of the significant raw material price rises experienced in 2011.

Operating profits from continuing operations of £3.8m increased £1.3m compared to the first half of last year, representing an operating margin of 6.4%.

Gross profit margin fell from 24.3% to 23.6% due to the dilution effect of higher material costs and selling prices. Adjusted for raw material cost pass-through, gross profit margin would have been 1.5% ahead at 25.8%.

The Group has continued to keep its operating costs under control, with production and overhead expenses increasing by only 4% to accommodate the 15% growth in volumes.

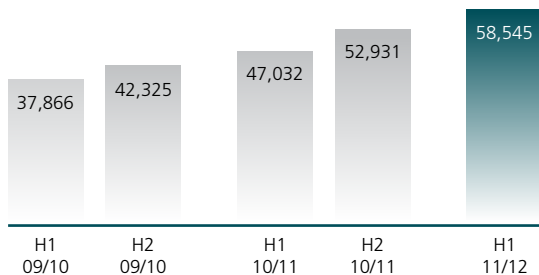
In this Interim Report, segmental reporting has been expanded to report on four operating divisions. During the period, the management of API Holographics, based in Salford, UK, was separated from Foils Europe to provide increased focus on the different growth strategies appropriate to the security holographic and decorative foils markets. Under the new structure, Foils Europe now comprises the manufacturing facility at Livingston, Scotland and the six foil distribution businesses in France, Italy, Germany, Australia, New Zealand and Hong Kong. Prior year comparative figures have been adjusted in line with the new basis of reporting.

All the Group's businesses increased revenues, both year on year and compared to the preceding six months, with Laminates ahead 44% and 10% respectively.

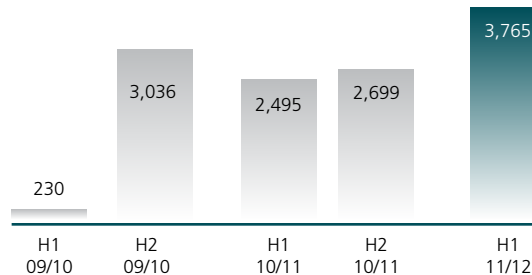
Growth in operating profits was particularly encouraging in Foils Americas and Holographics, while Laminates delivered another impressive set of results. Foils Europe was the only disappointment, with operating profits down by £0.5m, although still £0.3m ahead of the preceding six months.

In October, the Group announced that its manufacturing facility in New Jersey, US, had sustained significant damage and disruption caused by Hurricane Irene. At the time, it was estimated that the net financial impact could be up to £0.7m. After further assessment and dialogue with insurers, that estimate has been revised downward and, whilst there may still be some cash cost, the charge to the income statement is now expected to be zero.

Sales Revenue (continuing)
(£'000)



Operating Profit (continuing)
(£'000)



The Group's net financing costs of £0.9m were down £0.3m due to lower average debt and interest rates. Pension related charges were in line with last year.

Profit after tax for continuing operations was £2.6m, compared to £1.1m at the interim stage last year.

The tax charge of £0.2m represents a rate of 9% on profit before tax, in line with the effective rate for the year to 31 March 2011. A deferred tax charge in the UK of £0.6m was partly offset by recognition of a further £0.4m of tax assets in light of continuing profitability.

Basic earnings per share from continuing operations were 3.6p (2010: 1.5p).

REVIEW OF OPERATIONS

Foils Europe

Despite 5% lower volumes, Foils Europe revenues increased by 6% to £15.2m (4% at constant exchange rates) as a consequence of higher selling prices. The Italian distribution operation enjoyed further growth, partially compensating for weaker demand levels in other territories, especially the UK and France. Overall, the business continued to make good progress in the label sector but this was offset by reduced sales to other packaging and print segments and to third party distributors.

Selling price increases, initiated during late 2010, were effective in recovering the impact of the earlier rises in polyester film costs. However, as film prices started to moderate, the business experienced a rapid escalation in solvent costs due to capacity outages at producers. As a consequence, the recovery in margins from higher selling prices was less than expected. With lower volumes and slightly higher operating costs, profits were a modest £0.3m; £0.25m ahead of the previous six months but £0.5m lower than the first half of last year.

Foils Americas

Reported sales revenues for Foils Americas rose 7% to £12.5m. At constant exchange rates sales were 13% up on the first half of last year and 10% higher than the prior six months, due primarily to the pass-through of higher raw material costs in increased selling prices. Volumes were flat overall as demand for the business's market leading metallic flake intermediary compensated for lower activity on foils for the packaging

and graphics sectors. With the reversal of margin erosion suffered last year from rapidly increasing raw material costs, as well as improved sales mix and lower operating expenses, profits increased to £0.7m (ROS of 5.5%) from break even at the interim stage last year and £0.2m in the six months to March 2011.

Holographics

Holographics sales grew by 48% compared to the same period last year and were 11% higher than the previous six months. Third party sales, predominantly foils and films for brand protection and security applications, were ahead by 43%, benefitting from increased spend on product development and sales & marketing. Sales of decorative holographic products to sister companies within the Group increased by 57%, due especially to a significant packaging development project satisfied jointly with API Laminates.

Added value margins improved in the period as pricing caught up with earlier increases in raw material costs. The business benefited strongly from the impact of higher volumes on production efficiencies and fixed cost recovery, resulting in first half operating profits of £0.9m (ROS of 14%), up from £0.2m for the same period last year and £0.4m for the preceding six months.

Laminates

Laminates revenues increased to £27.7m as a number of key development projects moved to full production, a rise of 44% on the same period last year and 10% higher than the preceding six months. Growth over the second half of last year was predominantly due to demand from the tobacco sector, whilst orders for alcoholic drinks packaging remained buoyant. Approximately 25% of year-on-year growth was the result of increased costs being passed through to customers for higher specification and higher priced raw materials. Further input cost increases of £0.5m were absorbed by the business in order to secure a number of key supply positions. As a result, the drop-through to operating profit from the headline sales growth was restricted to £0.4m. The business continued to keep a firm control of operating expenses and completed the first half year with profits of £2.8m (2010: £2.4m), an ROS of 10.1%.

Following the Company's announcement in July 2011 outlining a major new supply agreement, the business is progressing with its investment in new production equipment and remains on track to start supplies in April 2012.



Report on the Interim Results

continued

Cash flow and borrowings

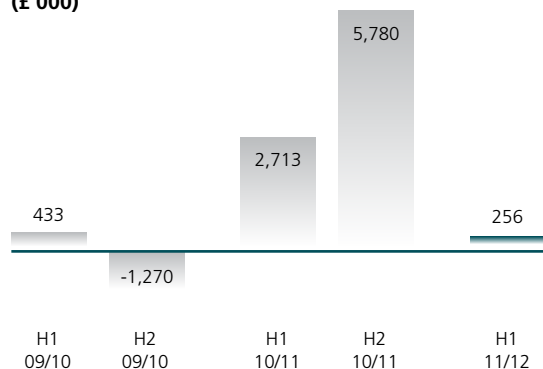
The Group experienced a net cash inflow from operating activities of £0.3m, compared to £2.7m for the same period last year. Positive cash flow from improved trading results was offset by a working capital outflow of £3.8m (£0.1m last year) to support increased activity and a re-alignment of payment terms with suppliers. Working capital efficiency, measured by reference to trailing three month sales, ended the period at 11.9% compared to 11.4% a year earlier and 8.9% at March 2011.

Capital expenditure of £1.2m was £0.6m higher than the first six months of last year, with £0.9m relating to the customer-led investment project in Laminates. A further £1.2m is due to be spent on this project by the end of the financial year.

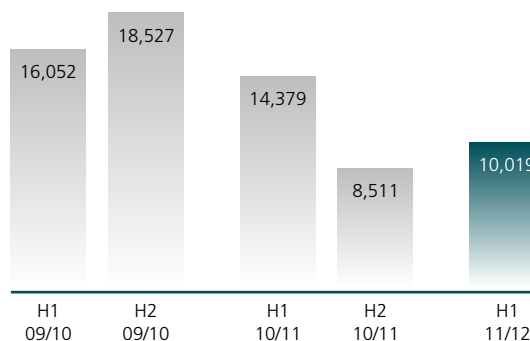
Group net debt, at £10.0m, compares to £8.5m at 31 March 2011, and £14.4m at 30 September 2010.

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. Gearing at 30 September 2011 was 50% compared to 148% 12 months earlier and 56% at 31 March 2011. The ratio of the Group's net debt to trailing 12 month EBITDA fell to 1.0x compared to 1.7x at the interim stage last year.

Operating Cash Flow (£'000)



Net Debt (£'000)



Pension deficit

The IAS 19 valuation of the UK and US defined benefit pension schemes fell to £6.9m, from £15.3m at 30 September 2010 and £9.7m at March 2011. Net of associated deferred tax assets, the deficit is now valued at £5.2m, down from £11.2m at September last year.

In the latest six months period, scheme assets were affected by the general fall in equity values. However, this was more than compensated by a reduction of £6.5m in liabilities relating to the UK scheme, where member data has been updated in line with the latest triennial funding valuation. The impact on scheme liabilities from movements in discount rates and inflation assumptions during the six months since March 2011 was broadly neutral. Market yields on benchmark AA rated corporate bonds fell by 0.3% whilst estimates of long term CPI inflation also reduced, by 0.4% to 2.1%.

The result of the UK scheme's 2010 triennial funding valuation is due to be approved by 31 December 2011. The process is well advanced and the Company anticipates no change to its current level of funding contributions.

Our people

The Group continues to focus on providing customers with higher quality, more cost effective products and services. Our success in meeting our aspirations depends on the skill and commitment of our entire workforce. The Board therefore extends its thanks to all members of the API team for the progress which has been made in the last six months and for their continued contribution to the growth and development of the business.

Outlook

With raw material prices softening, the Foils businesses are expected to make further progress on margin recovery. On the other hand, a broad exposure to consumer spending in the US and Europe means that demand could be affected by macro-economic uncertainty and the prospect of slowing economic growth, especially in the Eurozone.

The prospects for Laminates and Holographics are less tied to the general economy. Whilst a key project affecting both units is coming to a close, order books are holding up well and the pipeline of new business is encouraging.

API Laminates is busy gearing up for its new major supply contract. The project remains on schedule for the start-up of supplies from April 2012 and, as previously announced, is expected to deliver additional revenues of £15–20m per annum.

In spite of the higher capital expenditure to support the Laminates project, it is anticipated that the Group's overall level of debt will continue to reduce through the second half.

Notwithstanding more extreme macro-economic scenarios, the Board remains confident that full year results will meet expectations and that the Group is well placed for further profitable growth over the medium term.



Group Income Statement

for the 6 months ended 30 September 2011

	Note	Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Audited Year to 31 March 2011 £'000
Continuing operations				
Revenue	2	58,545	47,032	99,963
Cost of sales		(44,752)	(35,598)	(76,386)
Gross profit		13,793	11,434	23,577
Other operating costs		(10,028)	(8,939)	(18,383)
Operating profit from continuing operations	2	3,765	2,495	5,194
Finance revenue	3	7	8	17
Finance costs	3	(884)	(1,159)	(2,354)
		(877)	(1,151)	(2,337)
Profit from continuing operations before taxation		2,888	1,344	2,857
Tax expense	4	(246)	(269)	(265)
Profit from continuing operations		2,642	1,075	2,592
Discontinued operations				
Loss from discontinued operations	5	—	(6,656)	(4,124)
Profit/(loss) for the period		2,642	(5,581)	(1,532)
Profit/(loss) attributable to equity holders of the parent				
— continuing operations		2,642	1,075	2,592
— discontinued operations		—	(3,348)	(612)
		2,642	(2,273)	1,980
Loss attributable to non-controlling interest				
— discontinued operations		—	(3,308)	(3,512)
Profit/(loss) for the period		2,642	(5,581)	(1,532)
Earnings per share (pence)				
Basic earnings per share from continuing operations	6	3.6	1.5	3.5
Diluted earnings per share from continuing operations	6	3.5	1.4	3.4
Basic earnings/(loss) per share on profit/(loss) for the period	6	3.6	(3.2)	2.7
Diluted earnings/(loss) per share on profit/(loss) for the period	6	3.5	(3.0)	2.6

Group Statement of Comprehensive Income

for the 6 months ended 30 September 2011

	Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Audited Year to 31 March 2011 £'000
Profit/(loss) for the period	2,642	(5,581)	(1,532)
Exchange differences on retranslation of foreign operations	186	(309)	(392)
Exchange differences arising on net asset hedge	—	(121)	(121)
Change in fair value of effective cash flow hedges	462	(209)	(329)
Actuarial gains on defined benefit pension plans	2,410	1,105	6,586
Movement in deferred tax asset relating to defined benefit pension plans	(627)	(496)	(2,104)
Other comprehensive income for the period	2,431	(30)	3,640
Total comprehensive income and expense for the period, net of tax	5,073	(5,611)	2,108
Attributable to:			
Equity holders of the parent	5,073	(2,293)	5,633
Non-controlling interest	—	(3,318)	(3,525)
	5,073	(5,611)	2,108



Group Balance Sheet

at 30 September 2011

	Note	Unaudited 30 September 2011 £'000	Unaudited 30 September 2010 £'000	Audited 31 March 2011 £'000
Assets				
Non-current assets				
Property, plant and equipment		17,239	17,567	16,804
Intangible assets — goodwill		5,188	5,188	5,188
Trade and other receivables		59	122	94
Deferred tax assets		4,684	7,045	5,478
		27,170	29,922	27,564
Current assets				
Trade and other receivables		17,631	16,602	16,848
Inventories		11,913	9,521	12,409
Other financial assets		172	—	—
Cash and short-term deposits	7	3,185	1,572	4,175
		32,901	27,695	33,432
Assets of disposal group held for sale				
		—	8,642	—
Total assets		60,071	66,259	60,996
Liabilities				
Current liabilities				
Trade and other payables		18,547	16,637	21,952
Financial liabilities	8	3,695	2,798	2,830
Income tax payable		378	402	365
		22,620	19,837	25,147
Non-current liabilities				
Financial liabilities	8	9,767	13,614	10,514
Deferred tax liabilities		238	256	238
Provisions		81	93	85
Deficit on defined benefit pension plans	9	6,943	15,251	9,719
		17,029	29,214	20,556
Liabilities attributable to disposal group held for sale				
		—	5,449	—
Total liabilities		39,649	54,500	45,703
Net assets		20,422	11,759	15,293
Equity				
Called up share capital		766	701	766
Share premium		7,136	7,136	7,136
Other reserves		8,816	8,595	8,565
Foreign exchange reserve		445	2,889	259
Retained earnings		3,259	(9,619)	(1,433)
API Group shareholders' equity		20,422	9,702	15,293
Non-controlling interest		—	2,057	—
Total equity		20,422	11,759	15,293

Group Statement of Changes in Equity

for the 6 months ended 30 September 2011

	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 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
Total recognised income and expense for the period	—	—	—	(80)	8,006	7,926
Transfer to income statement on disposal of subsidiaries	—	—	—	(2,550)	—	(2,550)
Issue of shares	65	—	—	—	—	65
Shares acquired by Employee Benefit Trust	—	—	(30)	—	—	(30)
Share-based payments	—	—	—	—	180	180
Balance at 31 March 2011	766	7,136	8,565	259	(1,433)	15,293
Total recognised income and expense for the period	—	—	—	186	4,887	5,073
Shares acquired by Employee Benefit Trust	—	—	(11)	—	—	(11)
Transferred on exercise of share options	—	—	262	—	(262)	—
Share-based payments	—	—	—	—	67	67
Balance at 30 September 2011	766	7,136	8,816	445	3,259	20,422



Group Cash Flow Statement

for the 6 months ended 30 September 2011

	Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Audited Year to 31 March 2011 £'000
Note			
Operating activities			
Group profit before tax from continuing operations	2,888	1,344	2,857
<i>Adjustments to reconcile Group profit before tax from continuing operations to net cash flow from operating activities:</i>			
Operating loss from discontinued operations	—	(6,801)	(7,215)
Net finance costs	877	1,151	2,337
Depreciation of property, plant and equipment	1,212	1,688	2,942
Impairment of property, plant and equipment	—	5,850	5,850
(Profit)/loss on disposal of property, plant and equipment	—	(12)	28
Movement in fair value foreign exchange contracts	(112)	—	78
Share-based payments	67	59	239
Difference between pension contributions paid and amounts recognised in the income statement	(776)	(435)	(1,037)
Decrease/(increase) in inventories	533	1,279	(2,047)
Increase in trade and other receivables	(719)	(2,650)	(2,588)
(Decrease)/increase in trade and other payables	(3,669)	1,281	7,201
Movement in provisions	(4)	(4)	(12)
Cash generated from operations	297	2,750	8,633
Income taxes paid	(41)	(37)	(140)
Net cash flow from operating activities	256	2,713	8,493
Investing activities			
Interest received	7	8	17
Purchase of property, plant and equipment	(1,192)	(567)	(1,153)
Sale of property, plant and equipment	—	49	21
Sale of subsidiary undertakings	—	—	1,783
Cash and cash equivalents of subsidiary undertakings sold	—	—	(296)
Net cash flow from investing activities	(1,185)	(510)	372
Financing activities			
Interest paid	(384)	(852)	(1,480)
Proceeds from share issues	—	—	65
Purchase of shares by Employee Benefit Trust	(11)	—	(30)
New borrowings	—	1,562	1,214
Repayment of borrowings	(393)	(2,669)	(5,382)
Net cash flow from financing activities	(788)	(1,959)	(5,613)
(Decrease)/increase in cash and cash equivalents	(1,717)	244	3,252
Effect of exchange rates on cash and cash equivalents	(50)	86	13
Cash and cash equivalents at the beginning of the period	2,719	(546)	(546)
Cash and cash equivalents at the end of the period	952	(216)	2,719

Notes to the Interim Financial Statements

1. (a) Corporate information

The consolidated interim financial statements of API Group plc for the 6 months ended 30 September 2011 were authorised for issue in accordance with a resolution of the Directors on 7 December 2011.

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 specialty foils, films and laminated materials.

(b) Basis of preparation

The interim consolidated financial statements of the Group for the 6 months ended 30 September 2011 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 2011 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 2011, which represent the statutory accounts for that period, and on which the Auditor gave an unqualified opinion, have been filed with the Registrar of Companies.

The Directors consider that, after making appropriate enquiries, there is a 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 2011.



Notes to the Interim Financial Statements

continued

2. Segmental information

The Group produces monthly management information to enable the Board, including the Chief Executive Officer, to monitor the financial performance of its constituent parts. This information is analysed by business unit. Following the disposal of the China business, the residual businesses within the Asia Pacific unit are now managed and reported within the Foils Europe business unit. The Holographics business unit is now managed and reported separately from Foils Europe and comparative figures have been adjusted accordingly.

	Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Audited Year to 31 March 2011 £'000
Continuing operations			
Total revenue by origin			
Foils Europe	15,170	14,284	28,429
Foils Americas	12,512	11,691	23,151
Holographics	6,848	4,616	10,775
Laminates	27,672	19,233	44,321
	62,202	49,824	106,676
Inter-segmental revenue			
Foils Europe	495	562	1,095
Foils Americas	296	419	733
Holographics	2,827	1,797	4,855
Laminates	39	14	30
	3,657	2,792	6,713
External revenue by origin			
Foils Europe	14,675	13,722	27,334
Foils Americas	12,216	11,272	22,418
Holographics	4,021	2,819	5,920
Laminates	27,633	19,219	44,291
	58,545	47,032	99,963
Segment result			
Operating profit/(loss)			
Foils Europe	274	797	857
Foils Americas	688	4	244
Holographics	948	155	567
Laminates	2,792	2,392	5,245
Segment result	4,702	3,348	6,913
Central costs	(937)	(853)	(1,719)
Total operating profit	3,765	2,495	5,194

3. Finance revenue and finance costs

	Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Audited Year to 31 March 2011 £'000
Finance revenue			
Interest receivable on bank and other short-term deposits	1	—	2
Other interest receivable	6	8	15
	7	8	17
Finance costs			
Interest payable on bank loans and overdrafts	(486)	(744)	(1,356)
Other interest payable	(7)	(4)	(24)
Finance cost in respect of defined benefit pension plans	(391)	(411)	(974)
	(884)	(1,159)	(2,354)

4. Taxation

	Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Audited Year to 31 March 2011 £'000
Current income tax			
Overseas tax — current year charge	(57)	(67)	(135)
— adjustments in respect of prior-year tax charge	—	(34)	(37)
Total current income tax charge	(57)	(101)	(172)
Deferred tax			
Origination and reversal of temporary differences	(189)	(168)	(93)
Total charge in the income statement	(246)	(269)	(265)



Notes to the Interim Financial Statements

continued

5. Discontinued operations

Discontinued operations in respect of the comparative periods relate primarily to the Group's investment in a 51% owned subsidiary in China, which was sold by the Group in January 2011.

	Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Audited Year to 31 March 2011 £'000
Revenue — External	—	4,128	7,425
— Inter-Group	—	585	619
Cost of sales	—	4,713	8,044
Gross loss	—	(4,842)	(8,098)
Other operating costs	—	(129)	(54)
Operating loss before exceptional items	—	(822)	(1,311)
Exceptional items — impairment of property, plant and equipment	—	(951)	(1,365)
Operating loss from discontinued operations	—	(5,850)	(5,850)
Finance costs	—	(6,801)	(7,215)
Loss from discontinued activities before taxation	—	(90)	(138)
Taxation	—	(6,891)	(7,353)
Loss from discontinued activities after taxation of China business	—	—	—
Profit on disposal of discontinued operations (see page 15)	—	(6,891)	(7,353)
Loss from discontinued operations per the income statement	—	235	3,229
	—	(6,656)	(4,124)

5. Discontinued operations continued

The profit on disposal of discontinued operations is made up as follows:

	Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Audited Year to 31 March 2011 £'000
Profit on disposal of China business	—	—	444
Exchange gains on translation relating to the China business transferred from the foreign exchange reserve	—	—	2,550
Profit on disposal of China business after transfer from the foreign exchange reserve	—	—	2,994
Adjustment to prior year losses on disposal of discontinued businesses	—	235	235
	—	235	3,229

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.

The net cash flows attributable to discontinued business were as follows:

	Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Audited Year to 31 March 2011 £'000
Operating activities	—	542	783
Investing activities	—	(36)	1,477
Financing activities	—	(480)	(813)
	—	26	1,447



Notes to the Interim Financial Statements

continued

6. Earnings per share

	Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Audited Year to 31 March 2011 £'000
Net profit attributable to equity holders of the parent company — continuing operations	2,642	1,075	2,592
Loss attributable to equity holders of the parent company — discontinued operations	—	(3,348)	(612)
Net profit/(loss) attributable to equity holders of the Parent Company	2,642	(2,273)	1,980

	Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Audited Year to 31 March 2011 £'000
Basic weighted average number of ordinary shares	73,609,201	70,068,505	73,447,050
Dilutive effect of employee share options	1,283,688	3,025,425	2,443,955
Dilutive effect of warrants	—	3,506,336	—
Diluted weighted average number of ordinary shares	74,892,889	76,600,266	75,891,005

The weighted average number of shares excludes the 3,000,000 shares owned by the API Group plc No.2 Employee Benefit Trust (30 September 2010: 58,221 and 31 March 2011: 3,058,221).

	Unaudited 6 months to 30 September 2011 pence	Unaudited 6 months to 30 September 2010 pence	Audited Year to 31 March 2011 pence
Earnings per share			
Continuing operations			
Basic earnings per share	3.6	1.5	3.5
Diluted earnings per share	3.5	1.4	3.4
Discontinued operations			
Basic loss per share	—	(4.7)	(0.8)
Diluted loss per share	—	(4.4)	(0.8)
Total			
Basic earnings/(loss) per share	3.6	(3.2)	2.7
Diluted earnings/(loss) per share	3.5	(3.0)	2.6

7. Cash and cash equivalents

	Unaudited 30 September 2011 £'000	Unaudited 30 September 2010 £'000	Audited 31 March 2011 £'000
Included in balance sheet			
Cash and short-term deposits	3,185	1,572	4,175
Bank overdrafts	(2,233)	(1,969)	(1,456)
	952	(397)	2,719
Included in assets of disposal group	—	181	—
	952	(216)	2,719

8. Financial liabilities

	Unaudited 30 September 2011 £'000	Unaudited 30 September 2010 £'000	Audited 31 March 2011 £'000
Current			
Included in balance sheet			
Bank overdrafts	2,233	1,969	1,456
Current instalments on bank loans	1,239	520	779
Interest rate swaps	145	126	97
Forward currency exchange contracts	78	183	498
	3,695	2,798	2,830
Included in liabilities of disposal group	—	2,940	—
	3,695	5,738	2,830
Non-current			
Included in balance sheet			
Non-current instalments due on bank loans	9,732	13,462	10,451
Interest rate swaps	34	152	63
	9,766	13,614	10,514



Notes to the Interim Financial Statements

continued

9. Defined benefit pension plan deficit

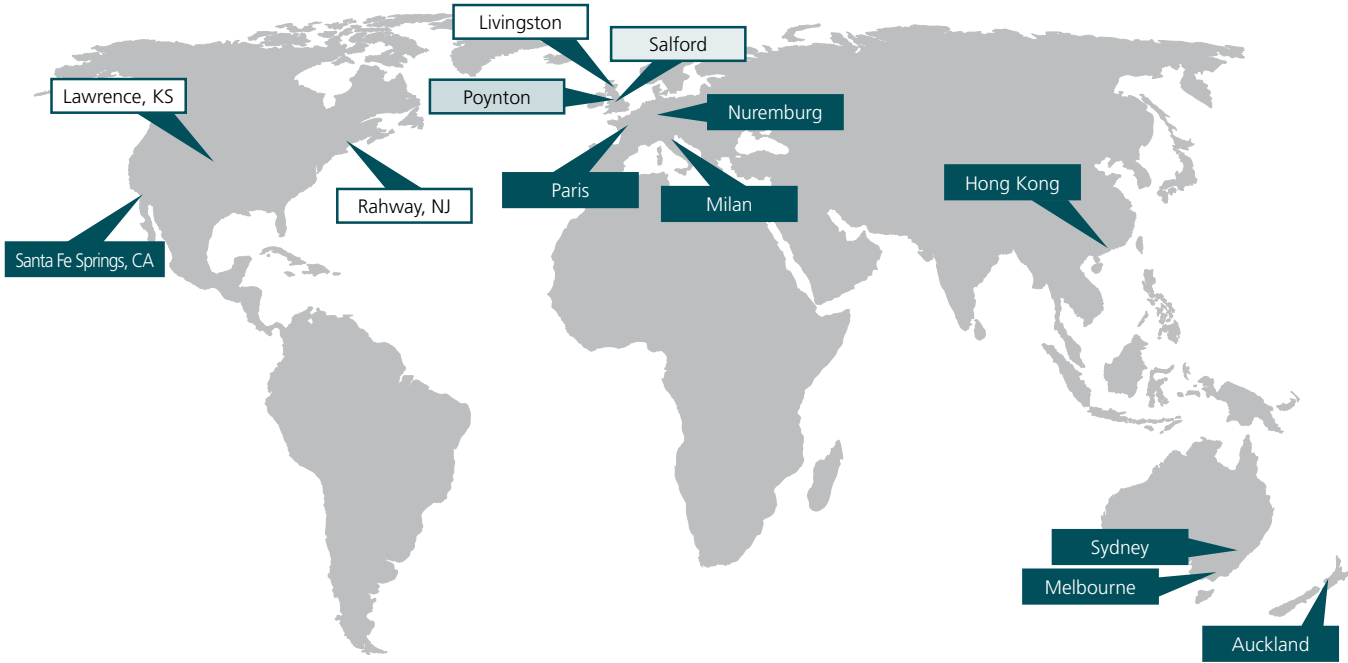
The Group operates two defined benefit schemes, the API Group Pension and Life Assurance Scheme in the UK and the API Foils Inc North American Pension Plan in the US. Both of these schemes are closed to future accrual. The assets and liabilities of these defined benefit schemes are:

	Unaudited 30 September 2011 £'000	Unaudited 30 September 2010 £'000	Audited 31 March 2011 £'000
United Kingdom			
Fair value of scheme assets	67,341	68,153	70,813
Present value of scheme liabilities	(73,595)	(82,745)	(79,843)
	(6,254)	(14,592)	(9,030)
United States			
Fair value of scheme assets	1,867	1,713	1,795
Present value of scheme liabilities	(2,556)	(2,372)	(2,484)
	(689)	(659)	(689)
Net pension liability	(6,943)	(15,251)	(9,719)
The movements in the net pension liability are as follows:			
Opening liability	9,719	16,406	16,406
Net cost recognised in arriving at operating profit	—	—	—
Net cost recognised in finance costs	391	411	974
Taken to Statement of Comprehensive Income	(2,410)	(1,106)	(6,586)
Contributions from and scheme expenses borne by employers	(776)	(434)	(1,035)
Exchange differences	19	(26)	(40)
Closing liability	6,943	15,251	9,719

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	2.10%	2.30%	2.50%
Inflation (CPI)	2.10%	2.40%	2.50%
Discount rate	5.25%	5.15%	5.55%

Shareholder Notes



Foils:
Manufacturing and distribution

Foils:
Distribution

Holographics:
Manufacturing and distribution

Laminates:
Manufacturing and distribution

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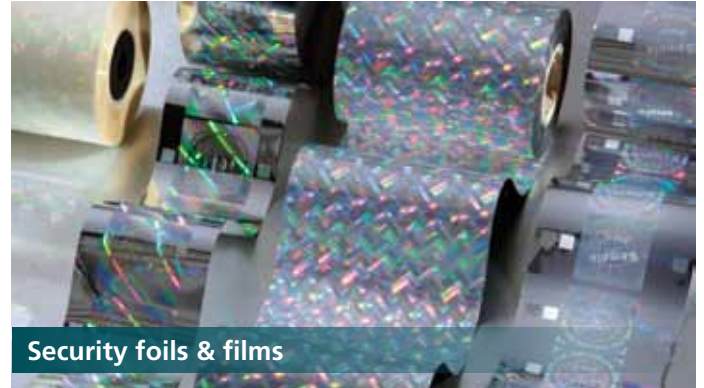
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Foils, Films and Laminates



Metallic transfer foils



Security foils & films



Pigment foils



Decorative holographics foils & films



Sheet laminate



API Group plc

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