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API Group plc
Annual Report & Accounts
2009

API Group plc

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.

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Highlights

- Sales for the year to 31 March 2009 of £93.5m, unchanged on the previous 12 months but 6% lower at constant exchange rates. (Prior period sales of £143.8m for 18 months to 31 March 2008).
- At constant exchange rates, operating profit before exceptional items £0.1m higher than prior year, at £0.5m. At actual rates, operating profit of £0.1m compared to £0.4m reported for the 18 months to 31 March 2008.
- Improved results in Europe and lower central costs offset by declines in the US and Asia Pacific.
- Sales and profitability gains in the first half reversed by deteriorating market conditions and increased raw material and energy costs in the balance of the year.
- Strong measures implemented to address controllable costs, including a 20% reduction in Group headcount.
- Profit before tax on continuing operations of £2.2m (£7.1m loss for 18 months to 31 March 2008) after net interest expense of £2.6m and net exceptional gains of £4.7m.
- Net cash flow from operating activities of £6.4m compared to £1.0m for prior 18 months period.
- Net debt reduced by £2.4m to £14.7m, despite adverse exchange rate impact of £3.7m.
- Full covenant compliance maintained for the Group's main banking agreement and facilities extended to July 2010.
- Major contingent liability eliminated with settlement of legal dispute relating to a previous business disposal.
- Continued focus on costs, cash and protecting market position in response to the challenging trading environment.

Group Overview

Foils

- Metallic, holographic & pigmented foils
- Bespoke holograms & security devices
- Global scale
- 62% of Group sales

● Manufacturing and distribution

■ Distribution

Plus agents and third party distributors serving more than 60 countries

Foils is the Group's main business area, where API has a global network of manufacturing and distribution operations serving customers worldwide.

In addition to packaging, the Group supplies foils for use on greeting cards, printed media and plastics and is a producer of security holograms and holographic base for vouchers, tickets, official documents and currency.

API provides brand owners and specifiers with an exciting and diverse range of options for enhancing the visual appeal of their products, combined with localised service and support for the printing and conversion industries.

Laminates

- Foil/film laminates to board and paper
- Metallic and holographic finishes
- European scale
- 38% of Group sales

Laminates is the European market leader in film and foil to board lamination. Thanks to its scale and reputation, API Laminates is trusted to handle the packaging requirements for some of the world's leading brands.

In addition to metallic and holographic effect board, the division produces laminated paper and microwave susceptor.

API Laminates has recently completed accreditation for its fully bio-degradable and compostable laminate, PortaBio™.

API in Action

API Coldfoils

API Foils has developed the next generation of foils for sheet fed offset printing, working closely with leading equipment manufacturers to make foiling an economic proposition for a new segment of the print industry. With excellent bond strength and innovative lacquer technology, options are available for both UV cured and conventional offset inks, providing consistent performance, a smooth, bright finish and superb ink adhesion.

API cold foils are designed for use ***in-line*** on all major sheet fed printing presses, providing a wider range of foiling options for markets such as advertising, media and point of sale.

Application Principle

Laminates

Lens film: Holographics on Steroids

API Laminates has taken packaging into a new dimension, with the most amazing optical effects using holographic lens technology. Depth and clarity provide exciting new possibilties for leading consumer products companies to put the spotlight on their brands.

API's unique registered image capability provides the opportunity to position the lens within a fraction of a millimetre to ensure perfect positioning between lens and graphics during printing.

Chairman's Statement

The Group has made good progress on a number of fronts despite increasingly difficult market conditions caused by the global recession. The businesses in Europe delivered an encouraging performance, especially in the first half, while the US was particularly hard hit by the economic downturn and losses continued at the Group's majority owned joint venture in China.

Reported sales, unchanged at £93.5m, were 6% lower than the comparable period last year on a constant exchange rate basis. Second half revenues were down 16% at constant rates.

Operating profits from continuing operations and before exceptional items of £0.1m were slightly lower than the results reported last year (£0.4m profit for 18 months to 31 March 2008). At constant exchange rates operating profit before exceptional items was £0.5m, an increase of £0.1m on the previous 12 month period.

Despite decisive action on costs, including a 20% reduction in the global workforce during the year, management was unable to fully mitigate the impact of higher average raw material and energy prices and deteriorating economic conditions leading to reduced volumes in the second half. In China, operational difficulties during the relocation of manufacturing operations to a new site were compounded by a squeeze on export margins as a result of changes to the Chinese tax regime and a stronger currency.

While overall profitability levels were disappointing, positive cash flow reduced net debt by £2.4m to £14.7m, compared to £17.1m at March 2008. At constant exchange rates, net debt was down £6.1m.

Throughout the year, the Group operated within the covenants on its main bank facilities in the UK and negotiated an extension of those facilities to July 2010.

The year has been a good one for concluding a number of legacy matters which had provided an unwelcome distraction for management. Most notably, a protracted legal dispute relating to a past business disposal was settled in March 2009, eliminating a significant contingent liability for the Group. After relevant consultations, the UK defined benefit pension scheme was closed to future accrual as of 31 December 2008, thereby reducing a key element of the risk associated with growing scheme liabilities. Finally, notwithstanding the adverse impact on trading results in China, the relocation of manufacturing operations to a new purpose-built facility was completed on budget and the sale of the old site in Shanghai concluded for a consideration of RMB 99m (£8.4m).

Dividend

In light of the Group's trading performance and the priority given to debt reduction, the Board is not recommending the payment of a dividend.

Board

In September 2008, the Board was pleased to announce the appointments of Chris Smith and Jane Hyndman as Group Finance Director and Company Secretary respectively. As previously announced, the size of the Board was reduced in April 2008 to coincide with the Group's move to AIM. As a result, Martin O'Connell and Brian Birkenhead stepped down as Non-executive Directors.

Employees, Customers & Suppliers

The Board wishes to express it gratitude to the Group's employees, customers and other business partners for their continued loyalty and support during the past year. The Board is especially appreciative of the flexibility and understanding demonstrated by our workforce in response to the deepening economic recession and the unprecedented measures which have had to be taken to mitigate its impact.

Outlook

While there are signs that the weakness in demand in the US has bottomed, the outlook for European and Asian markets remains uncertain. Overall, conditions are extremely challenging and the Group has continued to experience a year-on-year decline in volumes during the early part of the new financial year. Any recovery depends on an improvement in general economic activity and confidence and an end to destocking of the consumer goods supply chain.

However, as a result of the progress made in the last year, the Group is financially stronger and more able to withstand current economic conditions. A significantly lower cost base, more efficient and streamlined operations and anticipated lower energy and raw material costs will ensure that financial results benefit from any upturn in demand.

Management will continue to focus on costs, cash flow and protecting and developing the market position of the Group's businesses.

Richard Wright
Non-executive Chairman

“A significantly lower cost base, more efficient and streamlined operations and anticipated lower energy and raw material costs will ensure that financial results benefit from any upturn in demand.”

Proforma Financial Statements

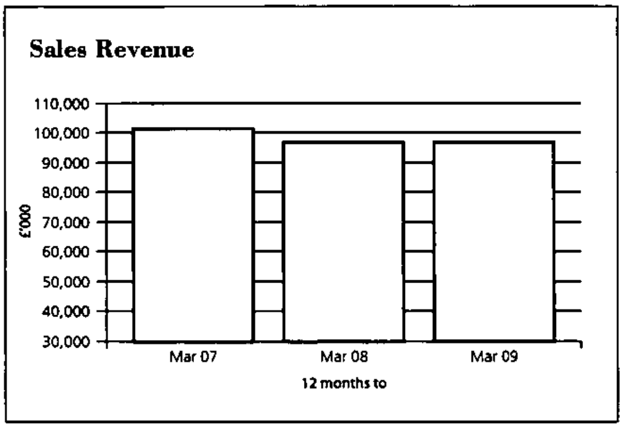
The audited comparative results in the attached financial statements are for the 18 months to 31 March 2008, following the change of accounting year end in 2007. The following proforma financial information for the 12 months to 31 March 2008 is provided for comparison with the 12 months to 31 March 2009.

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 unaudited £'000	Eighteen months ended 31 March 2008 £'000
Group Income Statement			
Revenue	93,451	93,391	143,783
Operating profit before exceptional items	94	437	408
Exceptional items	4,699	(2,616)	(3,417)
Operating profit/(loss) from continuing operations	4,793	(2,179)	(3,009)
Net finance costs	(2,565)	(2,873)	(4,126)
Profit/(loss) on continuing activities before taxation	2,228	(5,052)	(7,135)
Tax (expense)/credit	(4,314)	783	407
Loss from continuing operations	(2,086)	(4,269)	(6,728)
Discontinued operations			
Loss from discontinued operations	(1,298)	(1,130)	(1,130)
Loss for the period	(3,384)	(5,399)	(7,858)
Segmental Analysis			
External Revenue			
Europe	63,791	62,632	95,760
North America	21,003	21,437	33,283
Asia Pacific	8,657	9,322	14,740
	93,451	93,391	143,783
Operating profit/(loss) before exceptional items			
Europe	4,525	2,001	2,481
North America	(276)	952	1,560
Asia Pacific	(2,612)	(669)	(289)
Central Costs	(1,543)	(1,847)	(3,344)
	94	437	408
Group Cash Flow Statement			
Operating activities			
Group operating profit/(loss)	4,793	(2,179)	(3,009)
Depreciation and impairment	5,197	5,676	7,379
Profit on disposal of property, plant and equipment	(7,780)	(263)	(263)
EBITDA	2,210	3,234	4,107
Working capital movement	5,711	404	(1,528)
Share based payments	(47)	214	300
Pension contributions	(1,021)	(981)	(1,489)
Income taxes paid	(405)	(93)	(359)
Net cash flow from operating activities	6,448	2,778	1,031
Net interest paid	(2,477)	(2,155)	(3,096)
Purchase of property, plant and equipment	(4,110)	(4,533)	(8,180)
Sale of property, plant and equipment	8,706	730	730
Cash flows in respect of discontinued operations	(1,171)	(266)	984
Dividends paid to minority interests	(620)	—	—
Proceeds from share issues	—	7,278	7,278
Amortisation of debt financing costs	(601)	(278)	(278)
Effect of exchange rates on borrowings	(3,719)	121	(95)
Movement in net debt	2,456	3,675	(1,626)

Business Review

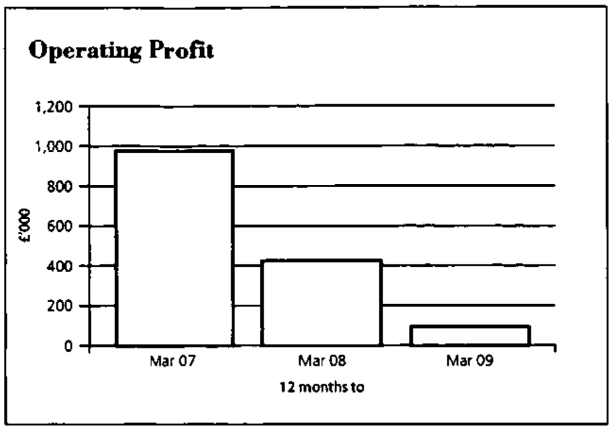
Group Operating Results

For the 12 months to March 2009, reported revenues from continuing operations were unchanged compared with the prior year, at £93.5m. At constant exchange rates, revenues were down by 6%. Sales growth in the first six months (4% at constant rates) was more than reversed by the impact of weakening demand in the second half of the year.



Operating profit from continuing operations and before exceptional items was £0.1m, down from £0.4m (unaudited) in the previous 12 months.

At comparable exchange rates, operating profit would have been marginally improved at £0.5m. Underlying profitability was affected by a decline in volumes and higher average energy and raw material costs (£1.0m) offset by reduced labour costs and general expenses (£2.9m).



Full year profits in Europe more than doubled, compared with the prior year, to £4.5m and central costs were 13% lower. However, these gains were offset by a deterioration in results for Asia Pacific and North America.

Cost Reduction

Measures to streamline operations and lower operating costs were accelerated in response to the global recession and falling demand in the majority of the Group's markets. Restructuring programmes were implemented at all major locations resulting in a reduction of the global workforce by 179 or 20% over the twelve month period. Salary and wage rates were frozen in response to the unprecedented economic conditions and, at some sites, reduced shift patterns and short time working were introduced. By the end of the year, core labour costs, excluding overtime, bonus payments and temporary measures, were £3.8m lower on an annualised basis.

In addition, purchasing and other measures yielded annualised savings of £1.0m, excluding any impact from movement in commodity prices.

"Full year profits in Europe more than doubled, compared with the prior year, to £4.5m and central costs were 13% lower. However, these gains were offset by a deterioration in results for Asia Pacific and North America."

Europe

External sales originating in Europe were £63.8m, up 1.9% on prior year and 0.4% higher at constant exchange rates. After 11% growth in the first half (at constant exchange rates), sales rates fell back due to declining activity levels across the customer base and reduced promotional spend. Nevertheless, Laminates sales were ahead 10% for the year as a whole and in Foils, growth in Italy and Germany partially compensated for shortfalls in the UK, France and in security holographics.

European operating profits before exceptional items of £4.5m were £2.5m ahead of the previous year as a result of lower operating costs and improved margins. UK manufacturing competitiveness was favourably impacted by the depreciation of sterling against the euro, which compensated for the effect of commodity price inflation on second half raw material and energy costs.

North America

Reported US sales were broadly unchanged compared to the previous 12 months at £21.0m. However revenues were 16% lower on a local currency basis. The second half saw a steep fall in demand across all market sectors, as the US economy contracted and supply chains destocked. In addition, the business suffered from a sharp spike in raw material and energy prices in the third quarter. Increased selling prices and determined action on costs, including an 18% reduction in headcount and the introduction of short time working, were insufficient to compensate for the speed and depth of the fall in volumes. As a result, the US business recorded an operating loss for the full year of £0.3m compared to a profit of £1.0m in the 12 months to March 2008.

Asia Pacific

Full year sales in Asia Pacific of £8.7m were down 7% compared to the previous 12 months while operating losses before exceptional items widened by £1.9m to £2.6m. The appreciation of the Chinese Renminbi (RMB) increased reported sales and losses by £1.3m and £0.5m respectively on translation to sterling. Trading in China experienced significant disruption during the relocation of manufacturing operations in Shanghai to a new site. Production problems continued for a time after the move and results were further undermined by the currency impact on export margins and year end write downs for old inventory, quality claims and bad debts. A new management team is now focused on restoring the business to profitability.

Elsewhere in the region, sales declines in Hong Kong and New Zealand were partially offset by increased market share in Australia.

Central Costs

Central costs before exceptional items reduced by £0.3m year on year, to £1.5m, with business units benefiting from a further £0.6m of savings in centrally-controlled costs through reduced recharges from shared service departments.

Exceptional Items

Exceptional items for the 12 months to 31 March 2009 amounted to a net gain of £4.7m. A gain of £7.8m was recorded following receipt of funds for the sale of surplus land in Shanghai, China, offset by £1.3m relocation and redundancies costs connected with the move of operations to a new facility on the outskirts of the city. Redundancy and restructuring costs of £0.5m were incurred in respect of cost reduction programmes in the UK and US facilities.

Impairment

After a Group-wide impairment review, the value of goodwill held in the consolidated accounts in respect of the Group's investment in its majority owned joint venture in China has been written down from £1.3m to zero. The Board considers that no other impairments to goodwill or asset carrying values are necessary.

Discontinued Operations

The Group made a loss from discontinued operations of £1.3m in the 12 months ended 31 March 2009, comprised entirely of legal fees incurred in defending a claim for breach of warranties connected to the disposal of the Group's Converted Products division in January 2005. The claim was settled in March 2009.

Finance Costs

Net finance costs for the 12 months ended 31 March 2009 were £2.6m, including £0.7m in respect of defined benefit pension schemes. Compared to the 12 months to 31 March 2008, finance costs decreased by £0.3m, with interest payable on bank loans decreasing £0.6m and pension fund finance costs increasing by £1.0m. The prior year benefited from a release of over accrued costs associated with the Pension Protection Fund levy.

A credit of £0.3m relating to prior year derivative contracts reversed a charge of £0.4m taken in the previous period. Since 1 April 2008, the group's treasury procedures have complied with the requirements of hedge accounting under IFRS. Gains or losses related to interest rate hedge instruments or re-translation of foreign currency denominated loans designated as hedge instruments are accounted for in the Statement of Recognised Income and Expense. In the 18 months to 31 March 2008, these exchange and interest rate losses were reported within interest costs.

Taxation

For the year to 31 March 2009, tax of £4.3m has been charged to the profit and loss account (credit of £0.4m for the 18 months to 31 March 2008), comprising an overseas tax charge of £3.3m (2008: £0.5m) and a deferred tax charge of £1.0m (2008: credit of £0.9m). £3.1m of the overseas tax charge relates to China and management's estimate of the potential tax liability arising from the sale of surplus land. Deferred tax assets have been adjusted downwards in the light of recent trading performance and the impact on potential short term recoverability of tax losses compared to the assessment at 31 March 2008.

Business Review

The tax charge for the year of £4.3m compares to the Group's reported profit before tax and discontinued operations of £2.2m. The reasons for the disproportionately high tax charge are primarily the high effective tax rate on the China land sale and the reduction in the US deferred tax asset, as well as current year losses not being recognised. A full reconciliation of the total tax charge is shown in Note 7(b) to the financial statements.

Earnings Per Share

Basic and diluted loss per share from continuing operations was 3.7p for the 12 months to 31 March 2009 compared to a loss per share of 16.7p for the 18 months ended 31 March 2008.

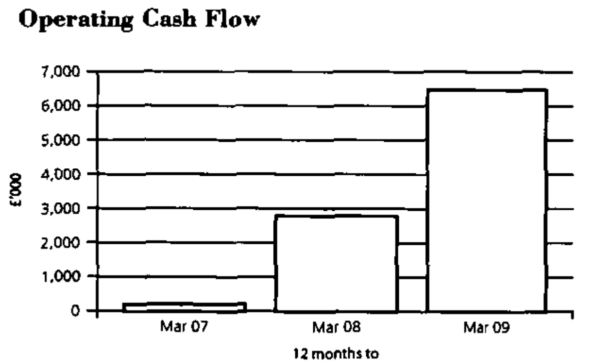
Capital Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business to achieve its strategic objectives. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the financial position of the Group. No changes have been made in the periods ending 31 March 2008 and 2009. The Group monitors capital, which comprises total equity, using normal financial ratios, primarily gearing for the overall Group and a debt cover ratio associated with the main bank facilities in the UK. The ratios at March 31 2009 are disclosed in subsequent sections of this Business Review.

Cash Flow and Net Debt

Net cash inflow from operating activities was £6.5m for the 12 month period to March 2009 compared to £1.0m for the 18 months to 31 March 2008. For the 12 months to 31 March 2008, net cash inflow from operating activities was £2.8m.

A reduction in working capital generated £5.7m compared to an outflow of £1.5m for the 18 months to March 2008.

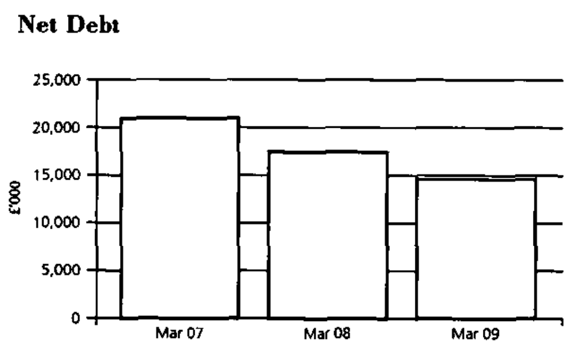


Capital investment in the year amounted to £4.1m compared to depreciation of £3.9m and included £3.7m expenditure on the new facility in China. The magnitude of the China project in recent years has limited the capital expenditure available to the Group's other operating businesses. As this project is now concluded, it is anticipated that investment in other regions will increase although management expect total expenditure will be below depreciation.

Cash interest expense was £2.5m for the 12 months to March 2009 compared to £2.2m for the comparative period to March 2008. The current year expense includes £0.3m re-financing costs associated with an extension of terms on the Group's main UK bank facilities.

The depreciation of sterling during the year had an adverse impact on the sterling value of the Group's foreign currency denominated borrowings. The total loss of £3.7m for the year included £3.4m relating to US$ debt. There has been a corresponding increase in the consolidated value of the Group's US assets.

Net debt (financial liabilities excluding the fair value of derivatives, less cash) reduced from £17.1m at March 2008 to £14.7m at 31 March 2009. Gearing reduced to 56% at March 2009 compared to 62% one year previously and 116% at September 2007.



Borrowings and Liquidity

The Group's policy is to ensure that bank and other funding facilities are sufficient to meet foreseeable peak borrowing requirements. Facilities are in place to independently finance the main geographic regions – UK, North America and China.

In the UK, the Group extended its bank facilities during March 2009. UK facilities at 31 March 2009 totalled £18.5m comprising a term loan of £1.5m repayable in instalments to December 2009, a term loan of £4m repayable with an instalment of £0.75m on 1 April 2010 and the balance on 1 July 2010, a credit facility of £7.5m to 1 July 2010 and a multi-option facility up to £5.5m repayable on 24 March 2010. UK borrowings are secured against the Group's UK assets.

In North America the Group's banking facilities comprise a term loan of $0.7m repayable over a 5 year period from April 2006 and a variable asset-based working capital facility up to $5.0m. At 31 March 2009 the amount available was $3.0m. Lending is secured over US assets.

In China, the business had bank loans of RMB 35m (£2.5m) at 31 March 2008 which were repaid in 2008 from the proceeds of the land sale. A new one year revolving working capital facility of RMB 48m (£4.9m) was agreed during March 2009, secured against the new manufacturing site, and repayable on 24 March 2010. At 31 March 2009, RMB 20m (£2.0m) had been drawn down.

Bank Covenants

The Group's main facilities are with Barclays Bank plc in the UK. The total debt under committed and revolving facilities are subject to four quarterly financial covenant targets based on the financial performance of the Group after excluding the US and China. Covenants are for Debt Cover, Total Service Payments Cover, Senior Interest Cover and Tangible Net Worth. Throughout the year to 31 March 2009 the Group met all its covenant targets. At 31 March 2009, Debt Cover, the ratio of net debt to 12 month trailing EBITDA was 2.74 (2008: 5.60).

The US facilities are subject to covenant obligations relating to profitability and net worth. At 31 December 2008 and 31 March 2009, following the second half slowdown in trading, the US business did not meet its covenant obligations and the lender, HSBC, exercised its right to increase the interest rate margin and reduce the uncommitted funds availability from $7m to $5m. The committed funds of $0.7m are unaffected. China facilities are subject to a limited number of general financial covenants.

Pensions

The Group operates a number of pension schemes for the benefit of its employees. At 31 March 2009 the Group's IAS 19 gross pension liability was assessed at £7.1m (2008: £3.5m) with a net liability of £5.1m (2008: £2.5m) after accounting for a deferred tax asset of £2.0m (2008: £1.0m). The IAS 19 liability has been calculated using discount rates of 6.85% - 7.0% (2008: 6.0% - 6.5%).

The API Group plc Pension and Life Assurance Fund is a defined benefit scheme operated by the Group in the UK. The IAS 19 liability at 31 March 2009 relating to this scheme was £6.3m (2008: £3.3m). No new members have joined the Fund since October 2006 and the scheme was closed to future service accrual on 31 December 2008. UK employees affected were eligible to join a newly introduced defined contribution pension plan. A small number of staff in the US are members of a closed defined benefit pension plan.

The UK scheme's last triennial valuation was at 30 September 2007. The valuation calculated a funding deficit of £8.7m on a continuing basis. During the year to 31 March 2009, to reduce the deficit, the Group made additional contributions into the scheme at a rate of 4% of pensionable earnings plus additional contributions of £0.3m per year. The Group made regular contributions of 8% of pensionable earnings in respect of the accrual of future service benefits up to December 2008. Following the 2007 valuation, the company and Scheme Trustees agreed a funding plan and schedule of contributions aimed at reducing the deficit to zero over a 10 year period. The company also pays all pension related administration fees on behalf of the Fund.

PERFORMANCE

Foreign Currency Exchange Rates

Exchange rates used for the translation of results and assets of US, Euro and China based operations are shown below.

	Average			Closing	
Rate to £1	12 months to 31 March 2009	18 months to 31 March 2008	12 months to 31 March 2008	As at 31 March 2009	As at 31 March 2008
US $	1.72	1.98	2.01	1.43	1.99
Euro	1.21	1.44	1.42	1.08	1.25
RMB	11.81	15.02	14.97	9.79	13.94

Business Review – Safety, Health and the Environment ("SHE")

The Group operates its businesses in a manner which aims to eliminate the possibility of its activities causing harm to people and the environment. The Group has established management systems and is advised by qualified personnel to ensure that each of its businesses meets or exceeds all local legal and regulatory requirements in the country or countries in which it operates.

The Group Chief Executive is accountable to the Board for the overall supervision of the Group's SHE management programme which is implemented through normal management channels. As a matter of policy, SHE is placed first on the agenda of all regular business review meetings, including Board meetings, and at least one SHE item is included on the list of annual objectives for business unit general managers under annual performance appraisal/bonus arrangements.

The Environment

The preservation and protection of the environment is an issue of fundamental importance for the Company and each of the operating businesses in the Group. The Group's environmental responsibilities are managed through detailed internal systems with a number of the Group's operating units maintaining certification to the international environmental management standard ISO 14001.

API Group complies with all applicable environmental legislation and the Group continues to invest in systems and equipment to ensure that environmental performance is measured and improved in the key areas of eliminating solvent emissions, energy efficiency, noise, waste and packaging management and soil/groundwater protection.

In the year to 31 March 2009, the Group's majority owned joint venture in China completed a major investment in pollution control and energy recovery, bringing its new operation in Shanghai up to the highest technological standards for the foil manufacturing sector. Elsewhere in the Group, investments and initiatives yielded savings in energy consumption, API Foils Inc received a Gold Award for recycling of packaging from DuPont and API Laminates was recognised by the Sunday Times as one of the UK's Best Green Companies.

Health & Safety

The Board regards the provision by the Group of safe workplaces as a fundamental business responsibility and the first priority of management. With the assistance of qualified personnel and input from Safety Committees, all employees are involved in implementing the Company's Health & Safety Management system. Through normal channels of management accountability and review, supplemented by central collation of statistics, management ensures that health and safety programmes at each site are sufficiently active and appropriately focused on both the maintenance and further improvement of safety standards.

Skill development is a key element of the Group's approach and it encourages this through the organisation and funding of both internal and external health and safety training.

A key performance indicator monitored by the Board is the incidence of accidents at work causing an employee to be absent for one day or more (Lost Time Accidents). The number of lost time accidents recorded for the 12 months to 31 March 2009 was twelve compared to thirteen for the prior 12 month period.

Business Review – Principal Risks and Uncertainties

Operational

Markets

A key risk faced by the business is a reduction in customer demand. In general, forecasts provide limited long term visibility. Volumes depend on levels of consumption several stages removed from the Group's point of sale and the combined effects of confidence and decision making by multiple parties within the supply chain which are difficult to predict. While the Group constantly seeks to adapt its operations to match demand, the manufacturing cost base is inevitably somewhat inelastic and financial results are therefore difficult to insulate from any sharp or prolonged downturn in market activity.

Geographic

A significant proportion of the Group's sales are in developed, western economies, including the UK. In line with the general move of manufacturing to lower cost countries, certain of the Group's immediate and end-use customers routinely consider relocating facilities to regions where the Group's infrastructure is less well developed, such as Eastern Europe and Asia. Any accelerated reduction in the accessible customer base could impact the Group's sales opportunities.

Commercial Relationships

The business relies for a proportion of its turnover on a small number of key customers and supply contracts. Any downturn in the fortunes of major customers or lack of success in maintaining or replacing existing major contracts could have a material adverse effect upon the Group's operating results.

Input Costs

A significant proportion of the Group's raw material and conversion costs are affected by the price of oil and gas. An increase or volatility in the price of these commodities could adversely affect the Group's results. While purchasing policies seek to reduce exposure to commodity prices, input cost increases could be difficult to prevent as well as difficult to pass through in selling prices due to competitive pressures in most end markets.

Defined Benefit Pension Schemes

The Group provides final salary retirement benefits for a number of its former and current employees through a UK and a US Pension scheme. While these schemes are closed to future service accrual, actuarial valuations and annual funding assessments may lead to demands for increased employer contributions. Contribution requirements may vary depending on investment performance, mortality rates, inflation levels and changes in other actuarial assumptions.

Health & Safety

The Group's work environment has numerous and varied risks. API provides systems, equipment, training and management supervision to mitigate these risks and comply with relevant standards and regulation.

Environment

API is aware of the impact the Group's operations can have on the environment. Some of the Group's manufacturing processes involve solvents and other hazardous chemicals. Where these substances are used there is the potential for air and ground contamination. Past exposures are remedied when required. The risk of new incidents is contained by means of strict operating procedures.

Financial

The Group continually reviews its approach to the management of financial risk. Control over treasury and risk management is exercised by the Board through the setting of policy and the regular review of forecasts and financial exposures.

Foreign Currency

With operations in 9 countries, the Group is exposed to foreign exchange translation risk when the net assets and income statements of overseas subsidiaries are consolidated into the Group accounts. The Parent company hedges a portion of the net assets of the US$ entity by denominating part of its borrowings in US$. The net assets of the US subsidiary at 31 March 2009 were $12.1m and were 90% covered by this hedge. The Group does not undertake any trading activity in financial instruments. Transactional foreign exchange exposures arise when an entity within the Group enters into a transaction to pay or receive funds in a currency other than its functional currency. In most cases, the balance of currency payments and receipts is immaterial. For substantial exposures, it is Group policy to hedge through the use of foreign exchange forward contracts.

Interest Rates

Interest rate risk arises from cash and borrowings which are subject to floating interest rates. Changes to interest rates could impact net results and cash flow. The Group uses swap hedge instruments to convert a portion of its debt from floating to fixed interest rate. Sensitivity to movements in interest and exchange rates is explained in Note 22 to the Accounts.

Credit

Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed. The Group buys credit insurance for all main operating companies, except in China. Where credit insurance is not available, customers are assessed for financial reliability using external rating agencies. Secure payment methods are frequently used in riskier geographies.

Liquidity

Liquidity risk refers to the risk that the Group may not be able to settle or meet its obligations on time or at a reasonable price. This will arise from mismatches between cash inflows and outflows from the business. This risk is monitored through regular cash flow forecasting, rolling 12 month forecasts from the businesses and annual budgets agreed by the Board before the start of each financial year. The Directors consider that borrowing facilities provide adequate headroom but failure to meet covenant and other conditions could result in the Group being forced to accept materially less attractive lending terms or to implement measures designed to accelerate the repayment of debt to the possible detriment of shareholder value.

Andrew Turner
Group Chief Executive

Chris Smith
Group Finance Director

Directors and Advisers

Richard Wright
Non-executive Chairman
Aged 63, joined the Board in 2001 and was appointed Chairman in February 2006. He has previously held senior executive roles with the Ford Motor Company including Director, European operations at Jaguar Cars Limited, Director of Sales, Ford Motor Company Limited and President/Managing Director of Ford Belgium NV. He is the former Chair of the Board of National Savings and Investments and is currently Chair, Corporate Relations Board and member of The Business School Board at Warwick Business School, University of Warwick. He is a Non-executive Director of the Electric Car Corporation plc. Mr Wright is a member of the Company's Nominations Committee.

Andrew Turner
Group Chief Executive
Aged 46, joined the Board in October 2007. Mr Turner is a graduate mechanical engineer with an MBA and has over 14 years' experience in the packaging sector. Before joining API, he was Global Vice-President, Marketing & Sales for the Tobacco Packaging sector of Alcan, the worldwide aluminium producer. Prior to that, he was Divisional Managing Director with Field Group plc, the printed paperboard packaging company, with responsibility for operations in the UK, Germany and Spain. He is a member of the Company's Nominations Committee.

Chris Smith
Group Finance Director
Aged 45, joined the Board on 23 September 2008. Mr Smith has 17 years industrial experience with Courtaulds plc and latterly with Scapa plc, a manufacturer of adhesive tapes and films. At Courtaulds, he held a variety of roles including overseas roles in Germany and Hong Kong. At Scapa, he was Finance and IT Director for Europe and Asia. He is a qualified ACA.

Andrew Walker
Non-executive Director
Senior Independent Director
Aged 57, joined the Board in 2003. He has wide public company experience both in manufacturing and service companies. He was previously Group Chief Executive of McKechnie plc. Prior to joining McKechnie, he was Group Chief Executive of South Wales Electricity, joining them from TI Group plc. Mr Walker is currently Chairman of Brintons Limited and a Non-executive Director of Plastics Capital plc, Manganese Bronze Holdings plc, Delta plc, Porvair plc and May Gurney Integrated Services plc. He is Chairman of the Company's Remuneration and Audit Committees.

Max Batzer
Non-executive Director
Aged 65, joined the Board in October 2007. Mr Batzer is a Portfolio Manager at Wynnefield Capital, Inc. which has a significant beneficial interest in the Company's shares. He is also a Director of Cornell Companies, Inc. (a Company listed on the New York Stock Exchange) and Integral Wealth Management and has previously held positions as Chairman of the Board and CEO of Diagnostic Health Services, Director and Executive Committee member of Simmons Airlines Inc., a publicly traded regional airline, and President of General Hide and Skin Corporation, a worldwide commodity trading organisation. Mr Batzer is Chairman of the Company's Nominations Committee and a member of the Remuneration Committee.

Luke Wiseman
Non-executive Director
Aged 42, joined the Board in September 2006. Mr Wiseman is responsible for European research at Steel Partners (UK) Limited. Steel Partners II, LP, a private investment partnership, and its affiliates have a significant beneficial interest in the shares in the Company. He is a Non-executive Director of Barbican Group Holdings and certain of its affiliated companies. He is a member of the Audit Committee.

Secretary
Jane Hyndman

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Second Avenue, Poynton Industrial Estate,
Poynton, Stockport,
Cheshire, SK12 1ND

Registered Number: 169249

Bankers
Barclays Bank PLC, City Office Business Centre,
PO Box 228, 51 Mosley Street,
Manchester, M60 3DQ

Auditors
Ernst & Young LLP,
100 Barbirolli Square,
Manchester, M2 3EY

Nominated Adviser, Broker
Numis Securities Limited
The London Stock Exchange Building,
10 Paternoster Square,
London, EC4M 7LT

Registrars and Transfer Agents
Capita IRG Plc, Bourne House,
34 Beckenham Road, Beckenham,
Kent, BR3 4TU

Directors' Report

The Directors present their Annual Report and the audited financial statements for the year ended 31 March 2009.

Principal Activities

API Group plc is the holding company of a group of companies which manufacture and distribute specialty foils and laminated materials used primarily in the graphics and packaging industries for brand enhancement and protection. The principal operating companies of the Group during the period are listed on page 56.

Results, Business Review and Future Developments

The Group Income Statement is set out on page 20.

The Directors' Report should be read together with the Business Review on pages 8 to 13 which set out a review of the Group's activities, its performance and development, including key performance indicators.

Dividends

In light of the Group Results, the Directors do not propose to pay a dividend.

Directors

The names of the Directors who served the Company during the year to 31 March 2009 are:

Richard Wright
Andrew Turner
Chris Smith (appointed 23 September 2008)
Andrew Walker
Luke Wiseman
Max Batzer
Brian Birkenhead (resigned 30 April 2008)
Martin O'Connell (resigned 30 April 2008)

Under the Company's Articles of Association all the Directors are subject to retirement by rotation and to re-election by Shareholders at intervals of no more than three years. Andrew Walker, having been last re-appointed to the Board at the 2007 Annual General Meeting is retiring at the 2009 Annual General Meeting and, being eligible, offers himself for re-election. Any Director appointed during the year is required to retire and seek re-election at the next Annual General Meeting. Chris Smith was appointed to the Board after the Annual General Meeting held in 2008 and, accordingly, will retire at the 2009 Annual General Meeting and offers himself for re-election.

In light of the Board's evaluation of their contribution and performance, the re-election of Messrs Walker and Smith is recommended by the Board.

Full details of Directors' shareholdings and options to subscribe are contained in the Register of Directors' interests, which is open to inspection.

Substantial Interests in Shares

The Company has been notified of the following substantial interests in the issued ordinary shares of the Company as at the date of this report:

	% of issued share capital
Steel Partners II, LP	35.7
Wynnefield Capital, Inc.	31.5
Berggruen Holdings	9.1

Except as disclosed above, as at the date of this report the Directors were not aware of any interests amounting to 3% or more in the issued share capital of the Company.

Principal Risks and Uncertainties

The Board meets regularly to review operations and to discuss risk areas. The Corporate Governance report contains details of the Group's internal control system. Page 13 of the Business Review contains information on the principal risks facing the Group and Note 22 to the accounts contains details of financial risks faced by the Group.

Safety, Health and the Environment

The Business Review on page 12 contains information on the Group's objectives and performance with regard to safety, health and the environment.

Employees

The Board is aware of the importance of good relationships and communication with employees. The Group continues to inform employees of the progress of its businesses, recognizing the value which can be added to its future profitability where there is a common awareness on the part of all employees of the financial and economic factors which affect its performance. The Company encourages continuing consultation and communication at site level so that it may take the views of its employees into account when making decisions which are likely to affect their interests. Training and development of employees is given due priority and the Group also operates a number of incentive schemes which encourage employees to contribute directly to the achievement of the Group's goals and reward individual and collective success.

Both employment policy and practice in the Group are based on non-discrimination and equal opportunity irrespective of age, race, religion, sex, colour and marital status. The Group endeavours to employ and train disabled people and their aptitudes and abilities are realistically assessed and taken fully into account when suitable vacancies occur. Disabled employees have the same opportunities as other employees so far as training, career development and promotion are concerned.

The Board has implemented a "Disclosure Policy" to ensure that staff of the Group may, in confidence, raise any allegations of harassment or bullying or any other breach of the Company's policies or values. Arrangements are in place for the proportionate and independent investigation of any such allegations and for appropriate follow-up action where required.

Directors' Report

Payments to Suppliers

The Group's policy is normally to pay suppliers according to agreed terms of business. These terms are agreed with suppliers upon entering into contracts and the Group's policy is to adhere to the payment terms providing the supplier meets its obligations. The Company is a holding company and had no trade creditors at the end of the financial period.

Charitable and Political Donations

Charitable donations made by the Group during the period amounted to £3,707 (2008: £1,244). There were no political donations.

Going Concern

The Business Review on pages 8 to 13 sets out the position of the Group's trading situation, including factors likely to impact on the future development of the Group's operating performance. The Group's end markets are expected to remain very challenging during 2009 and the economic situation makes forecasting extremely difficult. There is the possibility that the Group's actual trading performance during the coming year may be materially different from management's expectation.

The financial position of the Group, including its cash flows, liquidity situation and borrowing facilities are set out in the Business Review on pages 8 to 13. The Group's main borrowing facilities were recently renegotiated such that committed facilities extend to July 2010, options for renewal or replacement of these facilities are already being considered.

The Group's forecasts and projections, allowing for possible deterioration of trading performance, show that the Group has a reasonable expectation of being able to operate within the level of currently available facilities.

The Directors consider that, after making appropriate enquiries and at the time of approving these accounts, there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors therefore continue to adopt the going concern basis in preparing these accounts.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. The Directors have prepared the financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union and implemented in the UK, for the Group. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial period and of the profit or loss of the Group for that period. In preparing those accounts the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that the accompanying accounts comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

Directors' Statement as to Disclosure of Information to the Auditor

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 15. Having made enquiries of fellow Directors and of the Company's Auditor, each of those Directors confirms that as at the date of this report as far as each Director is aware there is no relevant audit information of which the Company's Auditor is unaware and each Director has taken such steps as he might reasonably be expected to take as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of such information.

Auditor

Ernst & Young LLP has expressed its willingness to continue in office as Auditor and, in accordance with Section 384(1) of the Companies Act 1985, a resolution proposing its reappointment will be put to the members at the Annual General Meeting.

By order of the Board

Jane Hyndman
Company Secretary
Poynton, Cheshire
1 June 2009

Jane Hyndman

Corporate Governance

AIM listed companies are not required to comply with the Combined Code (2006) of Corporate Governance. However, the Board supports the principles contained in the Combined Code and is committed to maintaining high standards of corporate governance. The Board has sought to comply with the provisions of the Combined Code in so far as it considers them appropriate in the context of the Company's size and resources.

This report provides a description of the Board, its role and its committees together with information on the Group's system of internal controls.

The Board

The Board currently comprises a Non-executive Chairman, two Executive Directors and three Non-executive Directors. As reflected in the biographical details given on page 14, the Directors have a wide range of business, financial, general and international experience which they can contribute to the Board.

Richard Wright and Andrew Walker are considered to be independent of management and free from any business or other relationships which could materially interfere with the exercise of their independent judgement. Luke Wiseman and Max Batzer have each been designated by the Board as non-independent by virtue of their associations with major Shareholders, Steel Partners, II L.P. and Wynnefield Capital, Inc. respectively.

The Board appoints one of the independent Non-executive Directors to be the Senior Independent Director. During the period Andrew Walker fulfilled this role.

The Chairman is primarily responsible for the workings of the Board and ensuring that its role is achieved and he is not involved in day-to-day operational management. The division of responsibility between the Chairman and the Group Chief Executive has been set out in writing and agreed by the Board. Save for matters reserved for decision by the Board, the Group Chief Executive, with the support of the Group Finance Director, is responsible for the running of the Group's business, carrying out the agreed strategy adopted by the Board and implementing specific Board decisions relating to the operation of the Group.

The Board meets on a regular basis. During the period ended 31 March 2009 it met formally 8 times (in addition to other ad hoc meetings as required). Appropriate documentation and financial information is provided on a monthly basis and in advance of each Board meeting. This normally includes monthly management accounts, reports on current trading and papers on matters in respect of which the Board makes decisions or is invited to give its approval. Regular reports are given to the Board on such matters as insurance and treasury issues, legal matters, pensions and health, safety and environmental issues. Specific presentations are also made on business or strategic issues as appropriate. Regular presentations are received from the General Manager of each of the Group's principal operating businesses in respect of its market position, current trading and prospects and from other senior managers responsible for key functions or projects.

The Board has a formal schedule of reserved powers, which it retains for Board decision-making on a range of key issues, including the formulation of strategy, financial reporting and controls, corporate governance matters, treasury and risk management and the remuneration policy for Executive Directors and other senior executives of the Group. A procedure has been adopted for Directors to obtain independent professional advice, where appropriate, at the cost of the Company and all Directors have unrestricted access to the Company Secretary. In relation to non-reserved matters, the Board is assisted by a number of committees with delegated authority. Further details in respect of each of the Audit Committee and the Remuneration Committee are set out on page 18. The other principal standing committee is the Nominations Committee which is responsible for nominating candidates (both Executive and Non-executive) for the approval of the Board to fill vacancies or appoint additional persons to the Board. It is also responsible for making recommendations regarding the composition and balance of the Board and for succession planning for other senior executives.

The Board has formally adopted an induction programme for new Directors which is tailored to each new Director who joins the Board and includes briefings regarding the activities of the Group and visits to the operating units. The Board has also established a formal process, led by the Chairman, for the annual evaluation of the performance of the Board, its principal Committees and individual Directors. Appropriate action is taken to ensure that the Board as a whole, its principal Committees and each individual Director perform at the optimum level for the benefit of the Company.

Throughout the period and as at the date of this report, the Articles of Association of the Company contained provisions for the benefit of Directors, officers and employees of the Company and its subsidiary and associated companies indemnifying them out of the assets of the Company to the full extent allowed by the law against liabilities incurred by them in the course of carrying out their duties. In addition and in accordance with the Company's Memorandum and Articles of Association, the Company has granted qualifying third party indemnities to each of its current Directors in respect of any liability which attaches to them in defending proceedings brought against them, to the extent permitted by the Companies Acts. Copies of such indemnities are available for inspection upon application to the Company Secretary.

Accountability and Audit

All the Directors are equally accountable under law for the proper stewardship of the Group's affairs. The Board acts in a way which allows all Directors to bring their independent judgement to bear on issues of strategy, performance and resources including key appointments and standards of conduct.

Corporate Governance

Audit Committee

The Audit Committee comprises the following Non-executive Directors: Mr Walker (chair) and Mr Wiseman. The Committee meets at least three times per year and the Company's Auditor is in attendance when appropriate. The Executive Directors attend whenever the Audit Committee deems it appropriate or necessary for them to do so. The Committee also meets the Company's Auditor without the Executive Directors being present.

The Committee is responsible for ensuring that the financial activities of the Company are properly monitored, controlled and reported on. It recommends the appointment of the Company's Auditor, reviews the audit fee and audit plan and pre-approves all non-audit work of the external Auditor, prior to commitment by the Group.

Internal Control and Risk Management

The Board has overall responsibility for ensuring that the Group maintains a system of internal controls and the Audit Committee, on behalf of the Board, has formally reviewed the effectiveness of the internal control system of the Group for the period ended 31 March 2009.

The key processes used in doing so included the following:

- review of Group risk assessment reports;
- production and regular updating of summaries of key controls;
- review of reports prepared throughout the period by the Internal Auditor;
- biannual confirmations from local management that the procedures set out in the Group's financial policy manual have been followed; and
- review of the role of insurance in transferring risk from the Group.

The Chairman of the Audit Committee reports the outcome of the Audit Committee meetings to the Board and the Board receives minutes of those meetings. There is an ongoing process for identifying, evaluating and managing the business risks faced by the Group and this process was in place for the period under review and up to the date of this Directors' Report. Business risks are identified and evaluated through senior management's ongoing review of progress against objectives agreed with the management team of each business in the Group and a system of formal risk assessments within each part of the Group.

The Group has also established and operates a number of key internal financial control procedures including the promulgation and policing of a written framework of financial reporting and operating procedures in accordance with generally accepted accounting practice; appropriate central review and approval procedures in respect of major areas of risk such as acquisitions and disposals, major contracts, capital expenditure, litigation, treasury management, taxation and environmental issues; detailed budgeting procedures with an annual budget approval; monthly consideration of actual results compared with budgets and forecasts; regular reviews of rolling profit and cash flow forecasts; regular reviews of the Group capital expenditure plan; and reporting of legal and accounting developments.

The internal audit function is contracted out to external suppliers to ensure a robust and effective service. Internal auditors are tasked to focus on areas of greatest risk as identified and approved from time to time by the Audit Committee.

Reviews of the control checklists and comprehensive management information are performed on a timely basis. Any significant weaknesses are brought to the attention of the Audit Committee and the Board and corrective action agreed and implemented. The control checklists are reviewed and substantially verified by internal audit.

Remuneration Committee

The Committee comprises the following Non-executive Directors: Mr Walker (chair) and Mr Batzer. On occasions and for matters not related to him, the Group Chief Executive is also consulted on proposals relating to the remuneration of members of the Group's senior management team and he also attends meetings of the Committee by invitation.

The Committee, on behalf of the Board and with input from external advisers as appropriate, determines all elements of the remuneration packages of the Executive Directors and the framework and broad policy for the remuneration of other members of the senior Executive management of the Group to ensure that they are fairly rewarded for their individual contribution to the Company's overall performance. It approves the terms of service contracts with Executive Directors; approves any compensation arrangements resulting from the termination by the Company of a Director's service contract; and approves the grant of long-term incentives.

No Director was involved in deciding the level and composition of his own remuneration. The remuneration of Non-executive Directors, other than the Chairman, is reviewed and determined by the other members of the Board. The remuneration of the Chairman is reviewed and determined on behalf of the Board by the Committee (with the Chairman playing no part in the related decisions).

Relations with Shareholders

The Company attaches great important to maintaining good relationships with Shareholders. Communications with Shareholders are given high priority. The Directors meet and discuss the performance of the Group with major Shareholders during the year. Queries raised by Shareholders are promptly answered by whoever on the Board is best placed to do so. Investors are encouraged to participate in the Annual General Meeting at which the Chairman will present a review of the Company's Results and comment on current business activity. The Chairmen of the Remuneration, Nominations and Audit Committees normally attend the Annual General Meeting to answer questions which may be relevant to the work of those Committees.

The Company's Financial Calendar is set out on page 60. The Company's website provides financial and other business information about the Group including an archive of past announcements and annual reports and share price information.

Independent Auditor's Report to the Members of API Group plc

We have audited the Group financial statements (the "financial statements") of API Group plc for the year ended 31 March 2009 which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent Company financial statements of API Group plc for the year ended 31 March 2009.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review that is cross referred from the Results and Dividend section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement and the Business Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Manchester
1 June 2009

Group Income Statement

for the year ended 31 March 2009

	Note	Year ended 31 March 2009 £'000	Eighteen months ended 31 March 2008 £'000
Continuing operations			
Revenue	2	93,451	143,783
Cost of sales		(74,780)	(115,120)
Gross profit		18,671	28,663
Distribution costs		(2,806)	(4,850)
Administrative expenses		(15,771)	(23,405)
Operating profit before exceptional items	2	94	408
Exceptional items	5	4,699	(3,417)
Operating profit/(loss) from continuing operations	2,3	4,793	(3,009)
Finance revenue	6	310	292
Finance costs	6	(2,875)	(4,418)
		(2,565)	(4,126)
Profit/(loss) on continuing activities before taxation		2,228	(7,135)
Tax (expense)/credit	7	(4,314)	407
Loss from continuing operations		(2,086)	(6,728)
Discontinued operations			
Loss from discontinued operations	8	(1,298)	(1,130)
Loss for the period		(3,384)	(7,858)
Attributable to:			
Loss attributable to equity holders of the parent		(3,861)	(7,995)
Profit attributable to minority equity interest		477	137
Total loss for the period		(3,384)	(7,858)
Earnings per share (pence)			
Basic and diluted loss per share from continuing operations	9	(3.7)	(16.7)
Basic and diluted loss per share on loss for the period	9	(5.5)	(19.5)

Group Statement of Recognised Income and Expense

for the year ended 31 March 2009

	Note	Year ended 31 March 2009 £'000	Eighteen months ended 31 March 2008 £'000
Exchange differences on retranslation of foreign operations	20	**5,973**	489
Change in fair value of effective cash flow hedge (interest rate swap)		**(360)**	—
Actuarial (losses)/gains on defined benefit pension plans	18	**(3,925)**	5,936
Tax on items taken directly to or transferred from equity	7	**1,099**	(1,852)
Net income recognised directly in equity		**2,787**	4,573
Loss for the period		**(3,384)**	(7,858)
Total recognised income and expense for the year	20	**(597)**	(3,285)
Attributable to:			
Equity holders of the parent		**(3,367)**	(3,734)
Minority equity interests		**2,770**	449
		(597)	(3,285)

GROUP FINANCIAL STATEMENTS

Group Balance Sheet

at 31 March 2009

	Note	31 March 2009 £'000	31 March 2008 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	38,342	30,901
Intangible assets — goodwill	11	5,188	6,480
Trade and other receivables	12	209	—
Deferred tax assets	7	2,318	2,062
		46,057	39,443
Current assets			
Trade and other receivables	12	14,492	17,440
Inventories	13	12,699	11,760
Other financial assets — forward currency hedging contracts		—	108
Cash and short-term deposits	14	2,234	2,131
		29,425	31,439
Total assets		75,482	70,882
Liabilities			
Current liabilities			
Trade and other payables	15	20,368	18,762
Financial liabilities	16	5,747	6,794
Income tax payable		4,259	588
Provisions	17	—	83
		30,374	26,227
Non-current liabilities			
Financial liabilities	16	11,539	13,041
Deferred tax liabilities	7	256	363
Provisions	17	61	70
Defined benefit pension plan deficit	18	7,081	3,482
		18,937	16,956
Total liabilities		49,311	43,183
Net assets		26,171	27,699
Equity			
Called up share capital	19	701	8,998
Share premium	20	7,136	7,136
Other reserves	20	8,595	298
Foreign exchange reserve	20	3,492	(188)
Retained (loss)/earnings	20	(1,526)	5,568
API Group Shareholders' equity		18,398	21,812
Minority interest	20	7,773	5,887
Total equity		26,171	27,699

Signed on behalf of the Board

A Turner
1 June 2009

Group Cash Flow Statement

for the year ended 31 March 2009

	Note	Year ended 31 March 2009 £'000	Eighteen months ended 31 March 2008 £'000
Operating activities			
Group operating profit/(loss)		4,793	(3,009)
Adjustments to reconcile Group operating profit/(loss) to net cash flows from operating activities			
Depreciation of property, plant and equipment		3,905	5,498
Impairment of property, plant and equipment		—	1,881
Impairment of goodwill		1,292	—
Profit on disposal of property, plant and equipment		(7,780)	(263)
Share-based payments		(47)	300
Difference between pension contributions paid and amounts recognised in the income statement		(1,021)	(1,489)
Decrease in inventories		1,310	1,611
Decrease in trade and other receivables		5,224	1,211
Decrease in trade and other payables		(731)	(4,118)
Movement in provisions		(92)	(232)
Cash generated from operations		6,853	1,390
Income taxes paid		(405)	(359)
Net cash flow from operating activities		6,448	1,031
Investing activities			
Interest received		35	184
Purchase of property, plant and equipment		(4,110)	(8,180)
Sale of property, plant and equipment		8,706	730
Sale of subsidiary undertakings		—	1,250
Payment of legal costs in respect of discontinued operations		(1,171)	(266)
Net cash flow from investing activities		3,460	(6,282)
Financing activities			
Interest paid		(2,512)	(3,280)
Dividends paid to minority interests		(620)	—
Proceeds from share issues		—	7,278
New borrowings		1,693	2,330
Repayment of borrowings		(9,594)	(3,459)
Net cash flow from financing activities		(11,033)	2,869
Decrease in cash and cash equivalents		(1,125)	(2,382)
Effect of exchange rates on cash and cash equivalents		261	51
Cash and cash equivalents at the beginning of the period	14	1,015	3,346
Cash and cash equivalents at the end of the period	14	151	1,015

Notes to the Consolidated Financial Statements

for the year ended 31 March 2009

1. Group accounting policies

Authorisation of financial statements

The Group's financial statements for the year ended 31 March 2009 were authorised for issue by the Board of Directors on 1 June 2009 and the balance sheet was signed on the Board's behalf by A Turner.

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

Basis of preparation and statement of compliance with IFRS

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 March 2009 and applied in accordance with the Companies Act 2005. The Group has applied optional exemptions available to it under IFRS 1.

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

As highlighted in note 16 to the financial statements, the Group meets its day-to-day working capital requirements through overdraft and loan facilities which expire at various times up to July 2010. The principal facilities relate to the UK which have recently been extended to July 2010. The current economic conditions create uncertainty over the general level of demand for the Group's products and fluctuations in exchange rates have impacts over the sterling value of the Group's products and the cost of its raw materials.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility. The Group will open renewal negotiations with potential lenders banks in due course and has at this stage not sought any written commitment that the facility will be renewed. However, the Group has held discussions with its current lenders about its future borrowing needs, in particular when extending its UK facilities in March 2009, and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

The principal accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2009. These policies have been consistently applied to all periods presented unless otherwise stated.

Accounting standards

During the current year, IFRS 7 Financial Instruments was adopted by the Group. This standard has resulted in additional disclosure in the notes to the financial statements. It does not affect the underlying financial statements or the accounting policies adopted by the Group. In addition, IFRIC 14 IAS 19 — the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction became effective during the year. This interpretation does not apply to the Group's circumstances.

The IASB and IFRIC have issued certain standards and interpretations which have an effective date after the commencement of the current financial period (1 April 2008). These are: Amendment to IFRS 2 — Vesting Conditions and Cancellations; IFRS 3 Business Combinations (revised January 2008); IFRS 8 Operating Segments; IAS 1 (Revised) Presentation of Financial Statements; IAS 23 (Revised) Borrowing Costs; IAS 27 Consolidated and Separate Financial Statements (revised January 2008); IAS 32 and IAS 1 — Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation; IAS 39 — Eligible Hedged Items: IFRIC 12 Service Concession Arrangements; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 — Agreements for the Construction of Real Estate; IFRIC 16 — Hedges of a Net Investment in a Foreign Operation; IFRIC 17 — Distributions of Non-Cash Assets to Owners; IFRIC 18 — Transfers of Assets from Customers.

These standards and interpretations have not been adopted in these financial statements. The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements on initial adoption. The impact of IAS 1 (revised) will be disclosure only. IFRS 8 requires disclosure based on information presented to the Board. This is not expected to change the business segments about which information is given. The secondary segmental information will be replaced by a group-wide analysis of revenues and an analysis of non-current assets by geographic area.

The standards and interpretations listed above will be adopted in the financial statements for the year ended 31 March 2010, apart from IFRS 3 (revised), IAS 27 (revised) and IAS 39, which will be adopted in the financial statements for the year ended 31 March 2011.

Significant judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Details regarding judgements which have the most significant effect on the amounts recognised in the financial statements are as follows:

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets. Goodwill is tested for impairment annually or at other times when relevant indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying values may not be recoverable. When value-in-use calculations are undertaken, management must estimate expected cash flows from the asset or cash generating unit and choose a suitable discount rate to calculate the net present value of those cash flows. Further details regarding goodwill impairment are given in Note 11.

1. Group accounting policies continued

Deferred tax assets

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits. Further details are given in Note 7.

Pensions and other post-retirement benefits

The cost and valuation of defined benefit pension plans is determined using actuarial valuations. This involves making assumptions about discount rates, expected rates of return on assets, future salary and pension increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in Note 18.

Basis of consolidation

The consolidated accounts comprise those of the parent Company and its subsidiary undertakings for the year ended 31 March 2009. The results for the subsidiary undertakings are included for the full year except where control is acquired or sold during the year, when results are included from or to the date of acquisition or sale.

All intercompany balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated in full. Minority interest represents the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented separately within equity in the consolidated balance sheet, separate from parent Shareholders' equity.

Business combinations and goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds the fair value of such net assets.

Goodwill arising on acquisitions is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable. Between 5 October 1997 and 1 October 2004 goodwill was amortised over its estimated useful life. Such amortisation ceased on 30 September 2004. The Group's policy before 5 October 1997 was to eliminate goodwill arising upon acquisitions against reserves. Under IFRS 1 and IFRS 3, such goodwill will remain eliminated against reserves.

For the purposes of impairment testing, goodwill is allocated to the related cash-generating units monitored by management. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

Revenue recognition

Revenue represents amounts invoiced to third parties excluding value added taxes and represents net invoice value less estimated rebates, returns and settlement discounts. It is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be reliably measured. This is normally the date of dispatch.

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 separately disclosed by virtue of their size or incidence.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The Group's policy is to write off the difference between the cost of each item of property, plant and equipment and its residual value systematically over its estimated useful life. Annual reviews are made of the estimated remaining lives and residual values of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear. Under this policy it becomes impractical to indicate average asset lives exactly but the indicative ranges are as follows:

- Freehold buildings and long leasehold property — 14 to 50 years
- Plant and machinery — 5 to 20 years
- Office and IT equipment — 3 to 10 years

Freehold land is not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

As permitted by IFRS 1, property previously revalued before the transition date of 1 October 2004 has been treated as deemed cost at the transition date.

Borrowing costs are not capitalised.

1. Group accounting policies continued

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired with a business acquisition are capitalised at fair value at the date of acquisition if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. The useful lives of intangible assets are assessed as finite or indefinite.

The carrying values of intangible assets are reviewed annually for impairment or if events or changes in circumstances indicate the carrying value may not be recoverable. Intangible assets, created within the business are not capitalised and expenditure is charged against income as it is incurred.

Research costs

Research costs are expensed as incurred.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined on a first in, first out basis. Cost of work in progress and finished goods comprises the cost of raw materials, direct labour and overheads attributable to the production of stock. Net realisable value comprises the estimated selling value less selling costs.

Trade and other receivables

Trade and other receivables are recognised and carried at original invoice value less an allowance for any amounts which may not be collectable. Should an amount become uncollectable, it is written off to the income statement in the period in which it is identified.

Cash and cash equivalents

Cash and cash equivalents principally comprise funds held with banks and other financial institutions with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial liabilities — Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost under the effective interest rate method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

1. Group accounting policies continued

Pensions and other post-retirement benefits

The cost of providing benefits under the defined benefit pension plans is determined separately for each plan using the projected unit credit method, which attributes entitlements to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in the future entitlement) occurs the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

The interest element of the defined benefit pension cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of recognised income and expense in the period in which they occur.

The defined benefit pension liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon market conditions which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to market conditions, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Employee Share Option Trust ("ESOP Trust")

The Company has a discretionary trust established to facilitate the operation of the Company executive share option schemes. Shares in API Group plc held by the ESOP Trust are classified in Shareholders' equity and are recognised at cost. Amounts received on exercise of these options are also recognised in equity, with any difference between proceeds from the exercise of these options and the original cost being taken to revenue reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

Foreign currencies

The assets and liabilities of overseas subsidiary undertakings are translated into sterling at rates ruling at the balance sheet date and trading items at the average rate for the period. The exchange differences arising on the translation of the financial statements of foreign subsidiary undertakings are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All translation differences are taken to the income statement.

1. Group accounting policies continued

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative instruments are measured at fair value on the date which the derivative contract is entered into and are subsequently remeasured at fair value at the balance sheet date. Derivatives are carried as assets if the fair value is positive and liabilities if the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swaps is determined by reference to market values for similar instruments.

Hedge accounting is adopted when the hedging relationship is formally designated and documented on inception. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine whether they have been highly effective during the reporting period for which they were designated. Gains and losses arising from the changes in the fair value of derivatives that do not qualify for hedge accounting are taken to finance revenue or finance costs in the income statement.

Hedges of a net investment in a foreign operation are accounted for in a similar way. Gains or losses relating to the effective portion are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in the income statement. On the disposal of the foreign operation, the cumulative value of any gains or losses recognised directly in equity are transferred to the income statement.

2. Segmental analysis

The primary segment reporting format is determined to be geographical. At 31 March 2009, the Group is organised into three distinct independently managed geographic segments in accordance with the location of assets: Europe, North America and Asia Pacific. Secondary segment information is reported by business segment.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

Primary reporting format
By geographic segment

	Year ended 31 March 2009 Continuing and Total £'000	Eighteen months ended 31 March 2008 Continuing and Total £'000
Total revenue by origin		
Europe	65,437	100,113
North America	21,855	33,796
Asia Pacific	9,399	15,863
	96,691	149,772
Inter-segmental revenue		
Europe	1,646	4,353
North America	852	513
Asia Pacific	742	1,123
	3,240	5,989
External revenue by origin		
Europe	63,791	95,760
North America	21,003	33,283
Asia Pacific	8,657	14,740
Segment revenue	93,451	143,783
External revenue by destination		
UK	31,828	50,528
Rest of Europe	29,341	42,350
Americas	19,831	30,953
Asia Pacific	10,471	17,002
Africa	1,980	2,950
	93,451	143,783

No revenue arises from discontinued businesses in the year ended 31 March 2009 and the eighteen months ended 31 March 2008.

All revenue is derived from the sale of goods.

2. Segmental analysis continued

	Year ended 31 March 2009 Continuing and Total £'000	Eighteen months ended 31 March 2008 Continuing and Total £'000
Operating profit/(loss)		
Europe		
before exceptional items	4,525	2,481
exceptional items	(446)	(790)
	4,079	1,691
North America		
before exceptional items	(276)	1,560
exceptional items	(100)	297
	(376)	1,857
Asia Pacific		
before exceptional items	(2,612)	(289)
exceptional items	5,245	238
	2,633	(51)
Central costs		
before exceptional items	(1,543)	(3,344)
exceptional items	—	(3,162)
	(1,543)	(6,506)
Total operating profit before exceptional items	94	408
Exceptional items	4,699	(3,417)
Segment result	4,793	(3,009)

	Year ended 31 March 2009			Eighteen months ended 31 March 2008		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Total operating profit before exceptional items	94	—	94	408	—	408
Exceptional items	4,699	—	4,699	(3,417)	—	(3,417)
Segment result						
Total operating profit/(loss)	4,793	—	4,793	(3,009)	—	(3,009)
Loss on disposal of discontinued operations	—	(1,298)	(1,298)	—	(1,130)	(1,130)
Profit/(loss) before finance costs and taxation	4,793	(1,298)	3,495	(3,009)	(1,130)	(4,139)
Net finance costs	(2,565)	—	(2,565)	(4,126)	—	(4,126)
Profit/(loss) before taxation	2,228	(1,298)	930	(7,135)	(1,130)	(8,265)
Tax (expense)/credit	(4,314)	—	(4,314)	407	—	407
Loss for the period	(2,086)	(1,298)	(3,384)	(6,728)	(1,130)	(7,858)

2. Segmental analysis continued

	Year ended 31 March 2009 Continuing and Total £'000	Eighteen months ended 31 March 2008 Continuing and Total £'000
Assets and liabilities		
Assets		
Europe	31,503	36,322
North America	16,017	13,618
Asia Pacific	23,410	16,641
Segment assets	70,930	66,581
Unallocated	4,552	4,301
	75,482	70,882
Liabilities		
Europe	21,294	18,781
North America	3,340	2,128
Asia Pacific	2,876	1,488
Segment liabilities	27,510	22,397
Unallocated	21,801	20,786
	49,311	43,183
Other segment information		
Capital expenditure		
Europe	549	2,219
North America	82	668
Asia Pacific	4,000	5,293
	4,631	8,180
Depreciation		
Europe	2,317	3,676
North America	771	1,022
Asia Pacific	817	800
	3,905	5,498
Impairment of goodwill		
Europe	—	—
North America	—	—
Asia Pacific	1,292	—
	1,292	—

2. Segmental analysis continued

Secondary reporting format

By business segment

	Year ended 31 March 2009 Continuing and Total £'000	Eighteen months ended 31 March 2008 Continuing and Total £'000
Total revenue		
Foils	60,425	94,417
Laminates	35,424	50,891
	95,849	145,308
Inter-segmental revenue		
Foils	2,398	1,525
Laminates	—	—
	2,398	1,525
External revenue		
Foils	58,027	92,892
Laminates	35,424	50,891
Segment revenue	93,451	143,783
Assets		
Foils	62,215	54,650
Laminates	8,715	11,931
Segment assets	70,930	66,581
Unallocated	4,552	4,301
	75,482	70,882
Capital expenditure		
Foils	4,313	7,848
Laminates	318	332
Segment capital expenditure	4,631	8,180

3. Operating profit/(loss)

	Year ended 31 March 2009 £'000	Eighteen months ended 31 March 2008 £'000
This is stated after charging/(crediting):		
Research and development expenditure expensed during the period	998	1,369
Depreciation of property, plant and equipment	3,905	5,498
Profit on disposal of property, plant and equipment	(7,780)	(263)
Cost of inventories recognised as an expense	44,404	78,431
Including write-down of inventories to net realisable value	1,076	2,917
Net foreign currency differences	(39)	162
Operating lease payments — minimum lease payments	949	1,330
Audit of the financial statements	124	128
Other fees payable to the Group's Auditor		
— audit of the Group pension scheme	10	8
— local statutory audits for subsidiaries	83	76
— services relating to corporate finance transactions	—	230
— other services	30	55

4. Staff costs and Directors' emoluments

	Year ended 31 March 2009 £'000	Eighteen months ended 31 March 2008 £'000
Wages and salaries	20,019	30,502
Social security costs	1,988	2,856
Pension costs		
— defined benefit (note 18)	363	1,074
— defined contribution	148	135
— non-contributory pension schemes	—	136
	22,518	34,703

Included in wages and salaries is a credit relating to share-based payments of £47,000 (2008: expense of £301,000).

Details of share-based payments are included in note 21.

The average monthly number of employees during the period was made up as follows:

	Year ended 31 March 2009 No.	Eighteen months ended 31 March 2008 No.
Europe	385	418
North America	162	180
Asia Pacific	219	262
Central	23	39
	789	899

Directors' emoluments

	Year ended 31 March 2009 £'000	Eighteen months ended 31 March 2008 £'000
Total		
Aggregate emoluments	551	1,074
Contributions to defined contribution schemes (2 Directors)	26	22
Compensation for loss of office	29	276
	606	1,372
Highest paid Director		
Aggregate emoluments	296	362
Contributions to defined contribution schemes	20	—
Compensation for loss of office	—	156
	316	518

No current Director is a member of the defined benefit pension scheme.

5. Exceptional items

	Year ended 31 March 2009 £'000	Eighteen months ended 31 March 2008 £'000
Exceptional items credited to/(charged against) operating profit comprise:		
Relocation of China factory	**6,537**	238
Impairment of goodwill	**(1,292)**	—
Restructuring of operating businesses	**(546)**	(790)
Charlotte factory closure	**—**	297
Rationalisation of Group costs	**—**	(1,281)
Impairment of property, plant and equipment	**—**	(1,881)
	4,699	(3,417)

Relocation of China factory
This relates to the net revenue impact during the year of the project to relocate to a new factory location in Shanghai. The net gain is the result of a gain of £7,827,000 (2008: £541,000) on the land sale net of relocation and restructuring costs of £1,290,000 (2008: £303,000) associated with the move. These funds have been used to invest in the new site, construction, infrastructure, machinery and installation.

Impairment of goodwill
This relates to goodwill arising in the China business which has been impaired during the year (see note 11).

Restructuring of operating businesses
This relates largely to redundancy and other costs associated with business improvement measures primarily within the UK businesses.

Charlotte factory closure
The credit in the previous period relates to the sale of the Charlotte factory which had previously been closed.

Rationalisation of Group costs
These costs related to the severance and other related costs in respect of a number of senior executives who were made redundant during the period to 31 March 2008.

Impairment of property, plant and equipment
In the period to 31 March 2008, as part of the review of Group costs, a provision was made in respect of the costs of a suspended IT project.

6. Finance revenue and finance costs

	Year ended 31 March 2009 £'000	Eighteen months ended 31 March 2008 £'000
Finance revenue		
Interest receivable on bank and other short term cash deposits	**35**	33
Gains arising on forward foreign currency contracts	**30**	259
Gain on interest rate swap	**245**	—
	310	292
Finance costs		
Interest payable on bank loans and overdrafts	**(2,011)**	(3,556)
Other interest payable	**(138)**	(92)
Losses arising on forward foreign currency contracts	**—**	(433)
Unrealised loss on interest rate swap	**—**	(260)
Finance cost in respect of defined benefit pension plans	**(726)**	(77)
	(2,875)	(4,418)

7. Taxation

(a) Tax on loss on ordinary activities

	Year ended 31 March 2009 £'000	Eighteen months ended 31 March 2008 £'000
Tax (charged)/credited in the income statement		
Current income tax		
UK Corporation tax	—	—
Foreign tax — current year charge	(3,442)	(525)
— prior-year adjustment	136	—
Total current income tax expense	(3,306)	(525)
Deferred tax		
Origination and reversal of temporary differences		
— defined benefit pension plan	(134)	(407)
— tax losses	(779)	915
— accelerated capital allowances	107	(7)
— other short-term temporary differences	(202)	437
— effect of change in deferred tax rate	—	(6)
Total deferred tax (charge)/credit	(1,008)	932
Tax (expense)/credit in the income statement (continuing operations)	(4,314)	407

There was no income or deferred tax on discontinued operations

Tax relating to items credited/(charged) to equity		
Deferred tax		
Actuarial gains and losses on pension schemes		
— in respect of the current period	1,099	(1,662)
— effect of change in tax rate	—	(190)
	1,099	(1,852)

(b) Reconciliation of the total tax charge

The UK Corporation Rate decreased from 30% to 28% from 1 April 2008. The deferred tax balance was adjusted in the prior period to reflect this change. The tax expense in the income statement for the year is higher than the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are reconciled below:

	Year ended 31 March 2009 £'000	Eighteen months ended 31 March 2008 £'000
Profit/(loss) before taxation from continuing operations	2,228	(7,135)
Loss before taxation from discontinued operations	(1,298)	(1,130)
Accounting profit/(loss) before income tax	930	(8,265)
Accounting profit/(loss) multiplied by the UK standard rate of corporation tax of 28% (2008: 30%)	260	(2,480)
Adjustments to tax charge in respect of prior period	(136)	—
Adjustments in respect of foreign tax rates	1,912	10
Losses for which deferred tax is not recognised	1,276	393
Other temporary differences for which deferred tax is not recognised	272	1,045
Change in deferred tax	—	129
Expenses not deductible for tax purposes	367	139
Legal costs in respect of discontinued operations	363	357
Total tax expense/(credit) reported in the income statement	4,314	(407)

The adjustment for foreign tax rates relates primarily to China, where a tax provision has been made against the profit on sale of surplus property in Shanghai after the relocation of operations to a new site. Losses for which deferred tax is not recognised relate primarily to the US, where the deferred tax asset has been reduced on account of lower levels of profitability. Losses for the current year have also not been recognised.

7. Taxation continued

(c) Unrecognised tax losses

The Group has tax losses arising in the UK of £5,802,000 (2008: £5,702,000) that are available and may be offset against future taxable profits of those businesses in which the losses arose. The UK tax group also has capital allowances of £26,953,000 (2008: £27,261,000) available to offset against future taxable profits at the rate of 20% a year on a reducing balance basis. UK deferred tax assets have not been recognised on the basis that it is not probable they will be used in the short term to offset taxable profits.

The Group has unrecognised US tax losses carried forward of $14,494,000 (2008: $12,219,000), which are available for offset against future profits for a period of between 11 and 18 years.

(d) Deferred tax

The deferred tax included in the balance sheet is as follows:

	31 March 2009 £'000	31 March 2008 £'000
Deferred tax liability		
Revaluation of fixed assets	(256)	(256)
Accelerated capital allowances	—	(107)
	(256)	(363)
Deferred tax asset		
Defined benefit pension plan	1,983	975
Tax losses	335	915
Other short-term temporary differences	—	172
	2,318	2,062

8. Discontinued operations

	Year ended 31 March 2009 £'000	Eighteen months ended 31 March 2008 £'000
Profit/(loss) after tax for the period for discontinued operations	—	—
Loss on disposal of discontinued operations	(1,298)	(1,130)
Loss for the period from discontinued operations	(1,298)	(1,130)

The net cash flows attributable to discontinued operations are as follows:

	Year ended 31 March 2009 £'000	Eighteen months ended 31 March 2008 £'000
Operating cash flows	—	—
Investing cash flows	(1,171)	984
Net cash (outflow)/inflow	(1,171)	984

The loss on disposal of discontinued operations is comprised entirely of legal fees incurred in defending a claim for breach of warranties in connection with a business disposal made by the Group in January 2005. The claim was received in 2007 and was settled in March 2009.

A write-off of £750,000 deferred consideration in the previous period, together with £380,000 of legal and other costs were related to the same transaction.

9. Earnings per ordinary share

Basic earnings per share is calculated by dividing the net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit/(loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares. As a dilution would reduce the loss per share, the diluted weighted average number of shares is equivalent to the basic weighted average number of shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Year ended 31 March 2009 £'000	Eighteen months ended 31 March 2008 £'000
Net loss attributable to equity holders of the parent — continuing operations	(2,563)	(6,865)
Loss attributable to equity holders of the parent — discontinued operations	(1,298)	(1,130)
Net loss attributable to equity holders of the parent	(3,861)	(7,995)

	Year ended 31 March 2009 No.	Eighteen months ended 31 March 2008 No.
Basic and diluted weighted average number of ordinary shares	70,068,505	41,018,077

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

The weighted average number of shares excludes the shares owned by the API Group plc No. 2 Employee Benefit Trust (58,221: 2008 58,221).

The weighted average number of shares in 2008 has been adjusted to reflect the discount on the market price immediately prior to admission of new shares under the open offer to Shareholders in January 2008.

Earnings/(loss) per ordinary share

	Year ended 31 March 2009 pence	Eighteen months ended 31 March 2008 pence
Continuing operations		
Basic and diluted loss per share	(3.7)	(16.7)
Discontinued operations		
Basic and diluted loss per share	(1.8)	(2.8)
Total		
Basic and diluted loss per share	(5.5)	(19.5)

10. Property, plant and equipment

	Freehold land £'000	Freehold buildings £'000	Long leasehold land & buildings £'000	Plant & machinery £'000	Office and IT equipment £'000	Total £'000
Cost						
At 1 October 2006	2,208	7,545	2,582	51,203	7,213	70,751
Additions	—	—	2,795	4,354	1,031	8,180
Disposals	(182)	(403)	—	(1,478)	(452)	(2,515)
Foreign currency adjustment	(116)	(402)	269	(6)	(126)	(381)
At 31 March 2008	1,910	6,740	5,646	54,073	7,666	76,035
Additions	—	—	3,912	543	176	4,631
Disposals	(136)	(472)	(1,151)	(1,957)	(73)	(3,789)
Foreign currency adjustment	607	2,209	2,243	8,481	1,083	14,623
At 31 March 2009	2,381	8,477	10,650	61,140	8,852	91,500
Depreciation						
At 1 October 2006	—	2,107	1,032	33,835	3,277	40,251
Provided during the period	—	327	230	4,193	748	5,498
Impairment during the period	—	—	—	—	1,881	1,881
Disposals	—	(157)	—	(1,444)	(449)	(2,050)
Foreign currency adjustment	—	(210)	37	(196)	(77)	(446)
At 31 March 2008	—	2,067	1,299	36,388	5,380	45,134
Provided during the year	—	236	478	2,701	490	3,905
Disposals	—	(544)	(763)	(1,481)	(73)	(2,861)
Foreign currency adjustment	—	1,226	194	4,567	993	6,980
At 31 March 2009	—	2,985	1,208	42,175	6,790	53,158
Net book value at 31 March 2009	2,381	5,492	9,442	18,965	2,062	38,342
Net book value at 31 March 2008	1,910	4,673	4,347	17,685	2,286	30,901
Net book value at 30 September 2006	2,208	5,438	1,550	17,368	3,936	30,500

Construction work-in-progress

Included in the cost of property, plant and equipment is £494,000 (2008: £666,000; 2006: £1,347,000) relating to construction work-in-progress.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2009

11. Intangible assets — goodwill

	£'000
Cost	
At 1 October 2006, 31 March 2008 and 31 March 2009	**6,480**
Impairment	
At 1 October 2006 and 31 March 2008	—
Impairment during the period	1,292
At 31 March 2009	**1,292**
Carrying value at 31 March 2009	**5,188**
Carrying value at 1 October 2006 and 31 March 2008	6,480

As from 1 October 2004, the date of transition to IFRS, goodwill was no longer amortised (previously amortised over a period up to 20 years) but is now subject to annual impairment testing.

Impairment of goodwill

Goodwill acquired through business combinations has been allocated for impairment testing purposes to the following cash-generating units, as follows:

- Foils — Europe;
- Foils — Holographics;
- Foils — China; and
- Foils — Germany

These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

Carrying amount of goodwill allocated to cash-generating units:

	31 March 2009 £'000	31 March 2008 £'000
Foils — Europe	2,538	2,538
Foils — Holographics	1,686	1,686
Foils — China	—	1,292
Foils — Germany	964	964
	5,188	6,480

The recoverable amount of each of the cash generating units has been determined on a value-in-use basis. Value-in-use is calculated as the net present value of post-tax cash flows based on budgets for the year ended 31 March 2010, which have been approved by the Board and unapproved financial projections prepared for the following year. The cash flows have been extrapolated using the key assumptions of long-term growth rates and cost inflation applicable to the location of each cash-generating unit. A discount rate of 12.5% has been used for the China business and a rate of 15% has been used for the other businesses.

Under the assumptions used for the cash flows for the China business, the carrying value could not be justified and was fully impaired.

For all other businesses, the Directors believe that no reasonably possible change in any of the key assumptions would cause the carrying value of the units to exceed their recoverable amounts.

12. Trade and other receivables

	31 March 2009 £'000	31 March 2008 £'000
Amounts falling due within one year		
Trade receivables	12,368	15,610
Prepayments	1,063	1,083
Other debtors	1,061	747
	14,492	17,440
Amounts falling due after more than one year		
Other debtors	209	—

Trade receivables are non-interest bearing and are generally on 30–90 days' terms and are shown net of a provision for impairment. At 31 March 2009, trade receivables at a nominal value of £844,000 (2008: £358,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	31 March 2009 £'000	31 March 2008 £'000
Opening provision	358	658
Charge for the year	363	72
Amounts written off	(42)	(353)
Unused amounts reversed	(2)	(32)
Foreign currency adjustment	167	13
Closing provision	844	358

Of the total trade receivables shown above, £3,337,000 (2008: £3,765,000) are past due, but not impaired. An analysis of these trade receivables is as follows:

	31 March 2009 £'000	31 March 2008 £'000
0–30 days overdue	2,172	2,419
31–60 days overdue	508	867
61–90 days overdue	329	276
91+ days overdue	328	203
	3,337	3,765

Due to the nature of the Group's business, it is not practical to analyse the credit quality of trade receivables that are neither past due nor impaired. In order to protect the Group from credit risk, trade receivables are covered by credit insurance in most jurisdictions. In the year ended 31 March 2009, the amount covered by credit insurance has fallen due to insurers withdrawing cover on a number of the Group's customers. At 31 March 2009, 57% (2008: 79%) of total trade receivables were covered by credit insurance.

13. Inventories

	31 March 2009 £'000	31 March 2008 £'000
Raw materials	3,631	3,239
Work in progress	2,222	2,486
Finished goods	6,846	6,035
	12,699	11,760

14. Cash and short-term deposits

	31 March 2009 £'000	31 March 2008 £'000
Cash at bank and in hand	2,234	1,270
Short-term deposits	—	861
	2,234	2,131

Short-term deposits earn interest at prevailing floating daily bank deposit rates.

Cash at bank and short-term deposits are held at major banks with high quality credit ratings.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	31 March 2009 £'000	31 March 2008 £'000
Cash at bank and in hand	2,234	1,270
Short-term deposits	—	861
Bank overdrafts (note 16)	(2,083)	(1,116)
	151	1,015

15. Trade and other payables

	31 March 2009 £'000	31 March 2008 £'000
Trade payables	12,068	11,886
Other payables	8,300	6,876
	20,368	18,762

16. Financial liabilities

	31 March 2009 £'000	31 March 2008 £'000
Current		
Bank overdrafts	2,083	1,116
Current instalments due on bank loans	3,394	5,267
Forward currency derivative contracts	—	295
Interest rate swap	270	116
	5,747	6,794
Non-current		
Non-current instalments due on bank loans	11,449	12,897
Interest rate swap	90	144
	11,539	13,041

In the UK, the Group has taken out an amortising interest rate swap contract on borrowings of £6m as at 31 March 2009. This swaps floating rate borrowings at 1 month LIBOR with a fixed rate of 6.08% until 1 August 2010.

Bank loans

Bank loans comprise the following:

	31 March 2009 £'000	31 March 2008 £'000
Term loans (UK)	12,314	15,005
Term loan (China)	2,042	2,511
Term loan (US)	487	528
Term loan (euro)	—	120
	14,843	18,164
Less: current instalments due on bank loans	(3,394)	(5,267)
	11,449	12,897

The Group's banking facilities comprise:

UK facilities

A term loan of £5.5m (2008: £8.5m) repayable between July 2009 and July 2010 and a revolving credit facility of £7.5m (2008: £7.5m) repayable July 2010. The revolving credit facility was wholly denominated in US dollars at 31 March 2009. In addition, there is a multi option overdraft facility of £5.5m (2008: £5.0m). Interest cost for the period averaged 2.35% above LIBOR for term loans and 2.35% above Base rate for overdrafts.

China facilities

Term loans of RMB 35m at March 2008 were repaid in the period. A new term loan of RMB 20m was arranged in March 2009. This loan is repayable in March 2010. The rate of interest is fixed at 4.8%.

US facilities

A term loan of $0.7m (2008: $1.05m) is repayable in instalments to May 2010. In addition, there is an overdraft facility of $5.0m (2008: $7.0m) depending on the level of working capital. Interest cost for the period averaged 0.75% above prime for the term loan and 0.5% above prime for the overdraft.

As a result of a shortfall in results in the second half of the year, US facility covenants were breached and the term loan is consequently shown as a current financial liability in the financial statements. Subsequently, the event of default has been waived by the lender, new covenants have been agreed, the interest margin has been increased by 3% and the overdraft capacity has been reduced by $2m, as indicated above. The payment schedule on the term loan has remained unchanged.

17. Provisions

	Restructuring £'000	Other £'000	Total £'000
At 1 April 2008			
Current	83	—	83
Non-current	—	70	70
	83	70	153
Arising during the year	—	6	6
Utilised	(83)	(15)	(98)
At 31 March 2009	—	61	61
Analysed as:			
Current	—	—	—
Non-current	—	61	61
	—	61	61

Restructuring

A provision of £83,000 was made in the period to 31 March 2008 in respect of rent payable on a property vacated as a result of a rationalisation of central costs. This provision was utilised during the year.

Other

The Group makes discretionary payments to a number of former long-serving employees. The estimated liability in respect of these former employees is reflected above.

18. Pensions and other post-retirement benefits

The Group operates a number of pension schemes. In the UK, the principal pension scheme is the API Group Pension and Life Assurance Scheme, a funded pension scheme for the Company and its UK subsidiaries providing benefits based on final pensionable earnings. The scheme is funded by the payment of contributions to a separately administered trust fund. This scheme was closed to future accrual on 31 December 2008. A defined benefit scheme was operated in the US, the API Foils, Inc, North American Pension Plan, and is also closed to future accrual.

A defined contribution scheme is also operated in the UK. Overseas employees participate in a variety of different pension arrangements of the defined contribution type and are funded in accordance with local practice. Non-contributory schemes are operated in the US and China. In the US, this option is available to members of the North New Jersey Teamsters 11 Union.

The assets and liabilities of the defined benefit schemes are:

At 31 March 2009

	United Kingdom £'000	United States £'000	Total £'000
Equities	27,361	535	27,896
Bonds	27,906	854	28,760
Property	—	58	58
Cash	45	—	45
Fair value of scheme assets	55,312	1,447	56,759
Present value of scheme liabilities	(61,630)	(2,210)	(63,840)
Net pension liability	(6,318)	(763)	(7,081)

18. Pensions and other post-retirement benefits continued

At 31 March 2008

	United Kingdom £'000	United States £'000	Total £'000
Equities	33,215	702	33,917
Bonds	31,585	650	32,235
Property	—	107	107
Cash	51	—	51
Fair value of scheme assets	64,851	1,459	66,310
Present value of scheme liabilities	(68,178)	(1,614)	(69,792)
Net pension liability	(3,327)	(155)	(3,482)

The amounts recognised in the Group Income Statement and Group Statement of Recognised Income and Expense for the year are as follows:

Year ended 31 March 2009

	United Kingdom £'000	United States £'000	Total £'000
Recognised in the Income Statement			
Current service cost	363	—	363
Gain from curtailment	(135)	—	(135)
Recognised in arriving at operating profit	228	—	228
Expected return on scheme assets	(4,138)	(123)	(4,261)
Interest cost on scheme liabilities	4,335	106	4,441
Scheme expenses borne by employers	546	—	546
Other finance cost/(revenue)	743	(17)	726
Taken to the Statement of Recognised Income and Expense			
Actual return on scheme assets	(7,151)	(412)	(7,563)
Less: expected return on scheme assets	(4,138)	(123)	(4,261)
	(11,289)	(535)	(11,824)
Other actuarial gains and losses	7,838	61	7,899
Actuarial gains and losses recognised in the Statement of Recognised Income and Expense	(3,451)	(474)	(3,925)

The gain from curtailment arises from the closure of the UK scheme to future accrual on 31 December 2008.

Eighteen months ended 31 March 2008

	United Kingdom £'000	United States £'000	Total £'000
Recognised in the Income Statement			
Current service cost	1,064	—	1,064
Past service cost	10	—	10
Recognised in arriving at operating profit	1,074	—	1,074
Expected return on scheme assets	(5,522)	(160)	(5,682)
Interest cost on scheme liabilities	5,626	133	5,759
Other finance cost/(revenue)	104	(27)	77
Taken to the Statement of Recognised Income and Expense			
Actual return on scheme assets	2,331	80	2,411
Less: expected return on scheme assets	(5,522)	(160)	(5,682)
	(3,191)	(80)	(3,271)
Other actuarial gains and losses	8,946	261	9,207
Actuarial gains and losses recognised in the Statement of Recognised Income and Expense	5,755	181	5,936

18. Pensions and other post-retirement benefits continued

Pension contributions are determined with the advice of an independent qualified actuary on the basis of triennial valuations using the projected unit method. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

	United Kingdom		United States	
	31 March 2009 %	31 March 2008 %	31 March 2009 %	31 March 2008 %
Main assumptions				
Rate of salary increases	**2.80**	3.50	**N/A**	N/A
Rate of increase in pensions in payment	**2.60**	3.10	**3.00**	3.00
Rate of increase to deferred pensions	**2.60**	3.10	**3.00**	3.00
Inflation	**2.80**	3.30	**3.00**	3.00
Discount rate	**6.85**	6.50	**7.00**	6.00
Expected rates of return on scheme assets	**6.50**	6.50	**7.75**	7.75
Equities	**7.50**	7.40		
Bonds	**5.40**	4.70		
Post-retirement mortality (in years):				
Current pensioners at 65 - male	**19.3**	19.3		
Current pensioners at 65 - female	**21.5**	21.5		
Future pensioners at 65 - male	**20.3**	20.3		
Future pensioners at 65 - female	**22.3**	22.3		

In the UK, it is assumed that mortality will be in line with nationally published PA00 yob tables incorporating the medium cohort and adjusted to take account of the demographic profile of members (plus 3 years). In the US, mortality assumptions are in accordance with the 2009 IRS Static Mortality tables.

These major assumptions have been selected after consultation with the Group's UK pension advisors, Pension Capital Strategies and the Group's US actuaries, Prudential Retirement.

The discount rate for the UK scheme has been set by reference to the iBoxx AA 15-year index. The rate has been modified to take account of the duration of the scheme, which is approximately 18 years. A 0.1% variation in the discount rate would result in a change in the present value of the scheme liabilities of approximately 2% or £1.2m.

Following closure of the UK Scheme to future accrual, the Group has agreed to make contributions up to 2019 in order to make up the funding shortfall.

Changes in present value of the defined benefit obligations are analysed as follows:

	United Kingdom £'000	United States £'000	Total £'000
At 1 October 2006	73,589	1,961	75,550
Current service cost	1,064	—	1,064
Contributions by employees	712	—	712
Past service cost	10	—	10
Interest cost	5,626	133	5,759
Benefits paid	(3,877)	(103)	(3,980)
Actuarial gains and losses	(8,946)	(261)	(9,207)
Foreign currency differences	—	(116)	(116)
At 31 March 2008	68,178	1,614	69,792
Current service cost	363	—	363
Contributions by employees	336	—	336
Gains on curtailment	(135)	—	(135)
Interest cost	4,335	106	4,441
Benefits paid	(3,609)	(66)	(3,675)
Actuarial gains and losses	(7,838)	(61)	(7,899)
Foreign currency differences	—	617	617
At 31 March 2009	**61,630**	**2,210**	**63,840**

18. Pensions and other post-retirement benefits continued

Changes in present value of the defined benefit assets are analysed as follows:

	United Kingdom £'000	United States £'000	Total £'000
At 1 October 2006	63,145	1,526	64,671
Expected return on plan assets	5,522	160	5,682
Employer contributions	2,540	45	2,585
Contributions by employees	712	—	712
Benefits paid	(3,877)	(103)	(3,980)
Actuarial gains and losses	(3,191)	(80)	(3,271)
Foreign currency differences	—	(89)	(89)
At 31 March 2008	64,851	1,459	66,310
Expected return on plan assets	4,138	123	4,261
Employer contributions	885	—	885
Contributions by employees	336	—	336
Benefits paid	(3,609)	(66)	(3,675)
Actuarial gains and losses	(11,289)	(536)	(11,825)
Foreign currency differences	—	467	467
At 31 March 2009	**55,312**	**1,447**	**56,759**

History of experience gains and losses:

	Year ended 31 March 2009 £'000	Eighteen months ended 31 March 2008 £'000	Year ended 30 Sept 2006 £'000	Year ended 30 Sept 2005 £'000	Year ended 30 Sept 2004 £'000
United Kingdom					
Fair value of scheme assets	55,312	64,851	63,145	58,882	50,900
Present value of defined benefit obligation	(61,630)	(68,178)	(73,859)	(69,080)	(63,800)
Deficit in the scheme	(6,318)	(3,327)	(10,444)	(10,198)	(12,900)
Experience adjustments arising on plan liabilities	7,838	8,946	(2,601)	(2,656)	(1,020)
Experience adjustments arising on plan assets	(11,289)	(3,191)	1,440	4,685	620
United States					
Fair value of scheme assets	1,447	1,459	1,526	1,562	1,482
Present value of defined benefit obligation	(2,210)	(1,614)	(1,961)	(1,867)	(1,681)
Deficit in the scheme	(763)	(155)	(435)	(305)	(199)
Experience adjustments arising on plan liabilities	61	261	(150)	(173)	(103)
Experience adjustments arising on plan assets	(536)	(80)	—	61	23

The cumulative amount of actuarial gains recognised since 1 October 2004 in the Group Statement of Recognised Income and Expense is £2,619,000 (2008: £6,545,000). The Directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRS and taken directly to equity of £13,099,000 is attributable to actuarial gains and losses since inception of those schemes. Consequently, the Directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Group Statement of Recognised Income and Expense before 1 October 2004.

19. Authorised and issued share capital

	31 March 2009 thousands	31 March 2008 thousands	31 March 2009 £'000	31 March 2008 £'000
Authorised				
Ordinary shares of 1p	333,869	333,869	3,338	3,338
Deferred shares of 24p	34,570	34,570	8,297	8,297
			11,635	11,635
Allotted, called up and fully paid				
Ordinary shares of 1p	70,127	70,127	701	701
Deferred shares of 24p	—	34,570	—	8,297
			701	8,998

Pursuant to the Annual General Meeting held on 30 June 2008, the deferred shares of 24p were bought back by the Company for a nominal value of 1p in total. These shares were subsequently cancelled. The nominal value of the deferred shares (£8,297,000) has been transferred to the capital redemption reserve (see note 20).

During the period options were granted over 905,750 ordinary shares. Full exercise of the options granted under the Company's share option schemes would result in the issue, not later than March 2019, of a further 45,000 shares at 65.5p and 1,904,880 shares at nil cost.

20. Reconciliation of movements in equity

	Equity share capital £'000	Share premium £'000	Other reserves £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
At 1 October 2006	8,612	244	298	(366)	9,179	17,967
Total recognised income and expense for the period	—	—	—	178	(3,912)	(3,734)
Issue of shares under open offer	356	7,644	—	—	—	8,000
Costs relating to shares issued under open offer	—	(802)	—	—	—	(802)
Exercise of employee share options	30	50	—	—	—	80
Share-based payment	—	—	—	—	301	301
At 31 March 2008	8,998	7,136	298	(188)	5,568	21,812
Total recognised income and expense for the year	—	—	—	3,680	(7.047)	(3,367)
Buy back of deferred shares	(8,297)	—	8,297	—	—	—
Share-based payment	—	—	—	—	(47)	(47)
At 31 March 2009	**701**	**7,136**	**8,595**	**3,492**	**(1,526)**	**18,398**

	Shareholders' equity £'000	Minority interest £'000	Total equity £'000
At 1 October 2006	17,967	5,438	23,405
Total recognised income and expense for the period	(3,734)	449	(3,285)
Issue of shares under open offer	8,000	—	8,000
Costs relating to shares issued under open offer	(802)	—	(802)
Exercise of employee share options	80	—	80
Share-based payment	301	—	301
At 31 March 2008	21,812	5,887	27,699
Total recognised income and expense for the year	(3,367)	2,770	(597)
Dividends	—	(884)	(884)
Share-based payment	(47)	—	(47)
At 31 March 2009	**18,398**	**7,773**	**26,171**

20. Reconciliation of movements in equity continued

Other reserves

Other reserves comprise the capital redemption reserve £8,846,000 (2008: £549,000) and the ESOP reserve (deficit £251,000).

The capital redemption reserve at 1 April 2008 arose as a result of the cancellation of 549,000 preference shares of £1 each in March 1999. During the year 34,570,000 deferred shares of 24p (£8,297,000) were cancelled (see note 19).

The ESOP reserve relates to shares held by a discretionary trust established in 1997 to facilitate the operation of the Company executive share option schemes. At 31 March 2009 and 31 March 2008 the trust held 58,221 shares at an average cost of £4.27 per share and a total cost of £251,000.

Foreign exchange reserve

The foreign exchange reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries, net of differences arising on net asset hedges.

The movement in the foreign exchange reserve is analysed as follows:

	Shareholders' equity £'000	Minority interest £'000	**Total equity £'000**
Exchange differences arising from the translation of net assets of subsidiaries	6,692	2,293	**8,985**
Loss arising on hedge against US Dollar net assets	(3,012)	—	**(3,012)**
	3,680	2,293	**5,973**

21. Share-based payments

Share options have been granted to employees of API Group companies through a number of share option schemes. Prior to 2006, the exercised price of the options was equal to the market price of the shares on the date of the grant. The share options that have been granted since 2005 are nil cost options. The ability to exercise options over shares is conditional on the attainment of specified performance targets over a three year performance period. To the extent that options vest, they lapse if they are not exercised within ten years of the date of grant.

During the year, an amount of £47,000 was credited to the income statement (2008: expense of £301,000) in respect of share-based payments to employees who subsequently resigned during the year.

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the year.

	31 March 2009 No.	**31 March 2009 WAEP (p)**	31 March 2008 No.	31 March 2008 WAEP (p)
Outstanding at beginning of year	**1,591,812**	**24.1**	2,201,030	85.6
Granted during the year	**905,750**	**—**	1,234,025	—
Exercised during the year	**—**	**—**	(120,000)	(65.5)
Expired during the year	**(547,682)**	**(64.7)**	(1,723,243)	(77.3)
Outstanding at end of year	**1,949,880**	**1.5**	1,591,812	24.1
Exercisable at end of year	**45,000**	**65.5**	446,927	85.9

The options granted during the year were nil cost options. The performance targets for these options are based on profit performance over the vesting period. In accordance with IFRS 2, the fair value of these options is based on the market price of the shares at the date of grant and the number of shares which are expected to vest. The fair value of these options at 31 March 2009 is nil.

21. Share-based payments continued

Options granted in the eighteen months to 31 March 2008 had performance targets which were linked to the price of the shares of the company (market conditions). The fair value of these options was estimated at the date of grant using a Monte-Carlo model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used.

	Eighteen months ended 31 March 2008
Dividend yield	0%
Expected share price volatility	26%
Historical volatility	26%
Risk-free interest rate	5.8%
Expected life of option	5 years
Weighted average share price	92p

The expected life of the options is usually based on historical data. Limited data exists for API Group, therefore expected life has been based on experience at other companies. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

22. Financial instruments

Details of the treasury operations and funding of the Group are described in the Business Review on pages 8 to 13.

Liquidity profile

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

At 31 March 2009

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	Total £'000
Non derivative financial liabilities	5,477	11,449	—	16,926
Interest on financial liabilities	848	176	—	1,024
Trade and other payables	20,368	—	—	20,368
Interest rate swap	270	90	—	360
	26,963	11,715	—	38,678

At 31 March 2008

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	Total £'000
Non derivative financial liabilities	6,383	12,721	176	19,280
Interest on financial liabilities	1,331	886	1	2,218
Trade and other payables	18,762	—	—	18,762
Foreign currency hedging contracts	295	—	—	295
Interest rate swap	116	116	28	260
	26,887	13,723	205	40,815

Fair values of financial assets and liabilities

The fair values of the financial assets and liabilities is equivalent to their book values.

Credit risk

The Group's credit risk relates to trade receivables (see Note 12).

Equity price risk

Equity price risks are not applicable to the Group as the Group does not currently have any tradable investments.

22. Financial instruments continued

Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax. The impact on the Group's equity is not significant.

	Increase/ decrease in interest rate	Effect on profit before tax £'000
2009	±1%	118
2008	±1%	89

Foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the sterling against the euro and US dollar exchange rates with all other variables held constant of the Group's profit before tax due to foreign exchange translation of monetary assets and liabilities.

	Increase/ decrease in sterling vs US dollar/euro	Effect on profit before tax £'000
2009		
US dollar/sterling	+10%	11
	−10%	(14)
Euro/sterling	+10%	(39)
	−10%	48
2008		
US dollar/sterling	+10%	1
	−10%	(1)
Euro/sterling	+10%	(70)
	−10%	85

The sensitivity to a reasonably possible change in the sterling against the US dollar exchange rates with all other variables held constant of the Group's equity due to changes in the US dollar net investment hedge is as follows:

	Increase/ decrease in sterling vs US dollar	Effect on equity £'000
2009	+10%	690
	−10%	(759)

The net investment hedge was not in place at 31 March 2008.

The impact of translating the net assets of foreign operations into sterling is excluded from the above sensitivity analysis.

GROUP FINANCIAL STATEMENTS

22. Financial instruments continued

Hedges

Cash flow hedges

During the year to 31 March 2009, the Group took out an amortising interest rate swap whereby it receives a variable rate based on 1 month LIBOR and pays a fixed rate of 6.08% on varying notional amounts. The swap is being used to hedge the exposure to changes in interest rates of its UK borrowing. At 31 March 2009, the notional amount of the swap was £6m and it had a negative fair value of £360,000. The hedge is regarded as fully effective and, consequently, the full amount of the change in fair value has been shown in the Statement of Recognised Income and Expense. There were no other cash flow hedges in place at 31 March 2009.

During the year to 31 March 2008, the Group took out an interest rate swap whereby it received a variable rate based on 3 month LIBOR and paid a fixed rate of 6.165% on a notional amount of £10m. At 31 March 2008, this had a negative fair value of £260,000. Hedge accounting was not applied to this swap, resulting in a charge to the Income Statement. In the year to 31 March 2009, this swap was settled and replaced by the amortising swap described above. This resulted in a credit to the Income Statement of £245,000 in the year to 31 March 2009.

At 31 March 2008, there were also various forward foreign currency contracts in place. These had positive values totalling £108,000 and negative values totalling £295,000 at the year-end. As hedge accounting was not applied, these amounts were included in the Income Statement.

Net investment hedge

During the year to 31 March 2009, the Group decided to denominate part of its UK borrowing facility in US dollars to hedge against a proportion of the net investment in its US subsidiaries. At 31 March 2009, this borrowing amounted to $10,879,000 (£7,590,000). A loss of £3,022,000 has been incurred on the retranslation of this borrowing and this has been transferred to equity to offset gains arising on the translation of the net investment in these subsidiaries.

23. Capital commitments

	31 March 2009 £'000	31 March 2008 £'000
Contracted amounts not provided for in these accounts	—	191

24. Obligations under leases and hire purchase contracts

Future minimum rentals payable under non-cancellable operating leases are as follows:

	31 March 2009 £'000	31 March 2008 £'000
Not later than one year	752	834
After one year but not more than five years	1,260	1,010
After five years	1,567	1,596
	3,579	3,440

The major part of these commitments relate to operating leases in respect of land and buildings.

25. Related party transactions

Compensation of key management personnel

The key management personnel comprise the Executive Directors and the Managing Directors of the business sectors.

	Year ended 31 March 2009 £'000	Eighteen months ended 31 March 2008 £'000
Short-term employee benefits	929	1,338
Post-employment benefits	51	95
Termination benefits	—	346
Share-based payment	13	197
	993	1,976

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of API Group plc

We have audited the parent Company financial statements of API Group plc for the year ended 31 March 2009 which comprise the Balance Sheet and the related notes 1 to 9. These parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of API Group plc for the year ended 31 March 2009.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

The Directors' responsibilities for preparing the Annual Report and the parent Company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent Company financial statements give a true and fair view and whether the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the parent Company Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent Company financial statements. The other information comprises only the Directors' Report, the Chairman's Statement and the Business Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent Company financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent Company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent Company financial statements.

Opinion

In our opinion:

- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009;
- the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the parent Company financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Manchester
1 June 2009

COMPANY FINANCIAL STATEMENTS

Company Balance Sheet

at 31 March 2009

	Note	31 March 2009 £'000	31 March 2008 £'000
Fixed assets			
Investments	2	6,218	6,218
		6,218	6,218
Current assets			
Debtors (>1 year)	3	33,723	36,515
Cash at bank and in hand and short-term deposits		—	861
		33,723	37,376
Creditors — amounts falling due within one year	4	(6,087)	(5,628)
Net current assets		27,636	31,748
Total assets less current liabilities		33,854	37,966
Creditors — amounts falling due after more than one year	5	(11,449)	(12,545)
		22,405	25,421
Share capital and reserves			
Called up share capital	6	701	8,998
Share premium account	7	7,136	7,136
Other reserves	7	8,595	298
Profit and loss account	7	5,973	8,989
Equity Shareholders' funds		22,405	25,421

Signed on behalf of the Board

A Turner
1 June 2009

Notes to the Company Financial Statements

for the year ended 31 March 2009

1. Accounting policies

Accounting convention

The Company's financial statements have been prepared under the historical cost convention except for the inclusion of certain assets which are at valuation and have been prepared in accordance with UK GAAP and with the Companies Act 1985.

The Company has taken advantage of the exemption provided under section 230 of the Companies Act 1985 not to publish its individual income statement and related notes.

The principal accounting policies adopted by the Company are set out below.

Investments in and loans due from subsidiaries

Investments in loans due from subsidiaries are stated at cost less any impairment which is charged to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pensions

In the UK, the principal pension scheme is the API Group Pension and life Assurance Scheme, a funded pension scheme for the Company and its UK subsidiaries providing benefits based on final pensionable earnings. The scheme is funded by the payment of contributions to a separately administered trust fund. This scheme was closed to future accrual on 31 December 2008. The defined benefit scheme was run on a basis that does not enable individual companies within the Group to identify their share of the underlying assets and liabilities.

In accordance with FRS 17, the Company has accounted for the scheme as a defined contribution scheme and has given additional disclosures in the consolidated financial statements. This additional information is provided in accordance with International Accounting Standard 19, 'Employee benefits'. The Directors believe that information disclosed in accordance with that standard is not materially different to that which would be disclosed in accordance with FRS 17.

The Company and its UK subsidiaries also operate defined contribution schemes. All defined contribution scheme costs are charged directly to the profit and loss account as incurred.

Foreign currencies

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Financial Instruments

All loans and borrowings are initially recognised at fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost under the effective interest rate method.

The Company's financial instruments are consolidated with those of the Group and are incorporated into the disclosures in note 22 of the Group's financial statements.

Leases

The costs of operating leases are charged to the profit and loss account in equal instalments over the periods of the leases.

Notes to the Company Financial Statements

for the year ended 31 March 2009

2. Investments

Subsidiary undertakings	£'000
Cost	
At 31 March 2008 and 31 March 2009	6,218

Details of the principal investments in which the Company (unless otherwise indicated) holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held
API Laminates Limited†	UK	Ordinary shares	100%
API Foils Holdings Limited‡	UK	Ordinary shares	100%
API Foils Limited*†	UK	Ordinary shares	100%
API Holographics Limited*‡	UK	Ordinary shares	100%
API Overseas Holdings Limited*‡	UK	Ordinary shares	100%
API (USA) Holdings Limited*‡	USA	Common and preferred stocks	100%
API Foils, Inc.*†	USA	Common and preferred stocks	100%
API Foils SAS*†	France	Ordinary shares	100%
API Asia Limited*‡	UK	Ordinary shares	100%
API Wing Fat Limited*‡§	Hong Kong	Ordinary shares	63.75%
Shanghai Shen Yong Stamping Foil Company Limited*†§	China	Ordinary shares	51%
API Foils Pty Limited*‡	Australia	Ordinary shares	100%
API Foils New Zealand Limited*†	New Zealand	Ordinary shares	100%
API Deutschland GmbH*‡	Germany	Ordinary shares	100%
API Italia srl*†§	Italy	Ordinary shares	100%

* Held by subsidiary undertaking.
† Operating company.
‡ Intermediate holding company.
§ 31 December year end.

All the operating subsidiary undertakings are involved in the principal activities of the Group.

3. Debtors

	31 March 2009 £'000	31 March 2008 £'000
Amounts falling due after more than one year		
Amounts due from subsidiary undertakings	33,723	36,515
	33,723	36,515

Amounts due from subsidiary undertakings are stated after an impairment provision of £34,000,000 (2008: £34,000,000).

4. Creditors — amounts falling due within one year

	31 March 2009 £'000	31 March 2008 £'000
Bank overdraft	4,198	1,001
Current instalments on bank loans	865	2,460
Corporation tax	503	1,366
Accruals	521	801
	6,087	5,628

Corporate tax represents Group relief payable.

5. Creditors — amounts falling due after more than one year

	31 March 2009 £'000	31 March 2008 £'000
Bank loans	11,449	12,545

6. Share capital

	31 March 2009 thousands	31 March 2008 thousands	31 March 2009 £'000	31 March 2008 £'000
Authorised				
Ordinary shares of 1p	333,869	333,869	3,338	3,338
Deferred shares of 24p	34,570	34,570	8,297	8,297
			11,635	11,635
Allotted, called up and fully paid				
Ordinary shares of 1p	70,127	70,127	701	701
Ordinary shares of 24p	—	34,570	—	8,297
			701	8,998

Pursuant to the Annual General Meeting held on 30 June 2008, the deferred shares of 24p were bought back by the Company for a nominal value of 1p in total. These shares were subsequently cancelled. The nominal value of the deferred shares (£8,297,000) has been transferred to the capital redemption reserve (see note 7).

During the period options were granted over 905,750 ordinary shares. Full exercise of the options granted under the Company's share option schemes would result in the issue, not later than March 2019, of a further 45,000 shares at 65.5p and 1,904,880 shares at nil cost.

Notes to the Company Financial Statements

for the year ended 31 March 2009

7. Reconciliation of movements in equity

	Equity share capital £'000	Share premium £'000	Other reserves £'000	Profit and loss account £'000	Shareholders' equity £'000
Balance at 1 October 2006	8,612	244	298	42,992	52,146
Balance from profit and loss account	—	—		(34,003)	(34,003)
Issue of shares under open offer	356	7,644	—	—	8,000
Costs relating to shares issued under open offer	—	(802)	—	—	(802)
Exercise of employee share options	30	50	—	—	80
Balance at 31 March 2008	8,998	7,136	298	8,989	25,421
Balance from profit and loss account	—	—	—	(3,016)	(3,016)
Buy back of deferred shares	(8,297)	—	8,297	—	—
Balance at 31 March 2009	**701**	**7,136**	**8,595**	**5,973**	**22,405**

Other reserves

Other reserves comprise the capital redemption reserves £8,846,000 (2008: £549,000) and the ESOP reserve (deficit £251,000).

The capital redemption reserve at 1 April 2008 arose as a result of the cancellation of 549,000 preference shares of £1 each in March 1999. During the year 34,570,000 deferred shares of 24p (£8,297,000) were cancelled (see note 6).

The ESOP reserve relates to shares held by a discretionary trust established in 1997 to facilitate the operation of the Company executive share option schemes. At 31 March 2009 and 31 March 2008 the trust held 58,221 shares at an average cost of £4.27 per share and a total cost of £251,000.

8. Profit attributable to members of the parent Company

A loss of £3,016,000 for the year ended 31 March 2009 (Eighteen months ended 31 March 2008: loss of £34,003,000) has been dealt with in the accounts of the parent Company. The 2008 loss is stated after an impairment provision of £34,000,000 relating to amounts due from subsidiary undertakings. As permitted by section 230 of the Companies Act 1985 the Company has not presented its own profit and loss account.

Fees paid to the Auditor in respect of audit services provided to the Company for the period amounted to £5,000 (2008: £5,000).

9. Contingent liabilities

The Company is party to a composite banking agreement providing unlimited guarantees between the Company and its UK subsidiaries. A $2,000,000 guarantee has been provided by the Company to the bank providing facilities to a wholly owned US subsidiary.

Financial Record

	Year ended 31 March 2009 £'000	Eighteen months ended 31 March 2008 £'000	Year ended 30 September 2006 £'000	Year ended 30 September 2005 £'000
Continuing operations				
Revenue	93,451	143,783	101,979	105,570
Operating profit before exceptional items	94	408	994	3,562
Exceptional items	4,699	(3,417)	(863)	(430)
Operating profit/(loss)	4,793	(3,009)	131	3,132
Net finance costs	(2,565)	(4,126)	(1,924)	(1,549)
Profit/(loss) before taxation	2,228	(7,135)	(1,793)	1,583
Tax (expense)/credit	(4,314)	407	(735)	(504)
(Loss)/profit	(2,086)	(6,728)	(2,528)	1,079
Discontinued operations				
Loss from discontinued operations	(1,298)	(1,130)	(230)	(10,149)
Loss for the year	(3,384)	(7,858)	(2,758)	(9,070)
Attributable to:				
Loss attributable to equity holders of the parent	(3,861)	(7,995)	(3,453)	(9,644)
Profit attributable to minority equity interest	477	137	695	574
Total loss for the year	(3,384)	(7,858)	(2,758)	(9,070)
Statistics relating to ordinary Shareholders				
Basic loss per ordinary share (pence) (adjusted for the bonus element of Open Offer)	(5.5)	(19.5)	(9.5)	(27.2)
Net debt (£'000)	(14,692)	(17,149)	(15,523)	(6,686)
Gearing (%)	56%	62%	66%	24%
Average number of employees	789	899	934	1,041

Financial Calendar

Annual General Meeting

To be held at 3 pm, 21 July 2009 at the Royal Thames Yacht Club, Knightsbridge, London, SW1X 7LF.

Reports

Interim Report for 6 months to 30 September 2009 circulated November 2009.

Preliminary Announcement for the year ended 31 March 2010 issued May 2010.

Report and Accounts for the year ended 31 March 2010 circulated June 2010.

Capital Gains Tax

The market value of an ordinary share on 31 March 1982 was 60.5p.

Foils

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Laminates

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