

API Group plc
Annual Report & Accounts 2012

brand enhancement and authentication

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About API

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

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

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

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Headlines

- 14% growth in revenues to £113.9m (2011: £100.0m)
- Operating profits advanced by 32% to £6.9m (2011: £5.2m)
- Improved results at Holographics (+£1.0m), Foils Americas (+£0.9m) and Laminates (+£0.5m). Profits at Foils Europe declined by £0.5m
- Profit before tax increased by 77% to £5.1m (2011: £2.9m)
- Basic earnings per share of 6.7 pence (2011: 3.5 pence)
- IAS 19 pension deficit (net of deferred tax) down by £0.7m to £6.5m
- Cash flow from operating activities £8.7m (2011: £8.5m)
- Net debt down to £3.6m compared to £8.5m at March 2011
- Increased capital investment, with additions of £3.5m (2011: £1.2m)
- Shareholders' funds increased by £6.0m (39%) to £21.3m
- Installation of the new laminator completed to schedule in April, shipments for the new supply contract expected from late June

Revenue*

(£'000)

	79,192	99,963	113,935
	10	11	12

Operating profit*

(£'000)

	3,266	5,194	6,878
	10	11	12

Profit before tax*

(£'000)

	(338)	2,857	5,059
	10	11	12

Net debt

(£'000)

	18,527	8,511	3,587
	10	11	12

* from continuing operations

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Visual Enhancement

In an increasingly fast moving retail environment, visual impact is everything. Competing brands, in-store offers and limited time for decisions make it vital that packaging is eye-catching, appealing and relevant to the product it contains

API's metallic, holographic and lenticular materials add an extra dimension to product packaging, lifting brands above the noise, inviting consumers to take a closer look and reinforcing brand values during everyday handling and use

Authentication Solutions

With best estimates suggesting that the market for counterfeit goods could be as much as 10% of all world trade and the implications of identity fraud never greater, the need to verify the authenticity of products, documents and people is a growing challenge facing today's society

Across a broad range of applications and product sectors, holographic technology remains the authentication solution of choice because it works at so many levels. By combining overt and covert features in an easily recognisable, durable and affordable format, the security hologram appeals to trained professionals in the distribution chain, enforcement authorities and consumers alike

As well as providing a technical authentication solution, a hologram can be a particularly effective element of a coordinated marketing strategy to reinforce consumer preference for genuine as opposed to counterfeit merchandise

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Key Sectors

Drinks

With historical links through the Laminates division and an important foil manufacturing presence in Scotland, API's strong presence in the alcoholic drinks sector is founded on its leading supply position with the Scottish Whisky industry. Foils for wine labels, caps and collars are supplied through a network of wholly owned distribution operations in key growing areas around the world — France, Italy, South Australia, New Zealand and California, and API Holographics provides duty and heritage stamps for the collection of government tax revenues on liquor and the protection of premium brands.

Tobacco

With severe restrictions on tobacco advertising and promotion, the role of packaging in communicating brand values could not be more important. Clear market leadership in Europe founded on relationships with all major industry players going back more than forty years means that API is the partner of choice for laminated materials used in tobacco packaging. Foils supplied to printers for cartons and tipping papers are approved to the most stringent standards for quality and chemical compliance and API Holographics has a growing position with national state printers for tax stamps.

Document security

As a long-standing supplier of authentication solutions with impeccable credentials, in a fast moving and highly fragmented industry, API Holographics is one of only a handful of industry players who can claim to possess the 'substance behind the security' Origination know-how which can be traced back to the earliest development of holographic techniques in the 1970s and foils technology developed for the most demanding of multi-use applications such as bank notes, financial and identity cards come together at API's security accredited manufacturing operation in Salford to make a convincing proposition for clients who demand the most trusted supply partners

Perfumery, cosmetics & personal care

Innovation and quality are the keys to success in the crowded personal care and beauty sector API's collaborative approach to working with brand owners and printers makes all the difference in delivering new finishes and effects to critical timescales on brand launches and redesigns API's international distribution network then takes over to ensure the packaging designs are replicated to exacting standards at printers around the world

Chairman's Statement

Richard Wright

Against a background of weak economic conditions affecting most end markets, API is pleased to report another year of significant improvement in financial performance. With debt substantially reduced and positive momentum in sales and profits, the Group has further strengthened its platform for future investment and growth.

Sales for the year ended 31 March 2012 of £113.9m were 14% ahead of the previous 12 month period, operating profits increased by 32% to £6.9m (2011: £5.2m) and profit before tax rose 77% to £5.1m (2011: £2.9m). Basic earnings per share of 6.7p advanced by 3.2p and net debt finished the year at £3.6m compared to £8.5m a year earlier. Despite the adverse impact of exceptionally low bond yields, the IAS pension deficit fell by £0.7m to £6.5m, net of deferred tax.

While Laminates remains the most significant contributor to Group results, year-on-year profit improvement was driven by three of the four business units. Holographics performed particularly strongly on the back of growth in target security markets, registering a £1.0m increase in profits. Foils Americas benefited from an improved sales mix and lower costs to record profits £0.9m ahead of last year and Laminates delivered another excellent performance, with profits up by £0.5m on 24% higher sales. Foils Europe profits were down by £0.5m as recovering margins were offset by weaker volumes, especially in the second half. In due course, the Board expects results to benefit from the increased focus brought about by the recent establishment of separate management teams for Foils Europe and Holographics.

As reported last year, a key challenge facing the business was the short supply and surge in pricing of key raw materials. The situation is now much improved with the supply-demand balance re-established in most material categories: new sources of supply approved and, for the most part, residual cost increases passed through to customers in higher selling prices. It is greatly encouraging that the Group has been able to weather a period of such volatility in raw material costs and that all businesses enter the new financial year with margins substantially restored to previous levels.

Increased Group operating profits converted to strong cash flow with a corresponding reduction in net debt. Year end net debt to EBITDA was down to 0.4x (2011: 1.1x), the healthiest Group financial position for at least a decade. With the confidence of a stronger balance sheet, the Board has been able to approve a number of capital expenditure projects aimed especially at improving the level and resilience of earnings in the Laminates and Holographics units. The Board will continue to examine options for growth oriented capital investment whilst maintaining a conservative stance towards levels of debt.

Shareholders

In February 2012, the Group's two leading Shareholders wrote to the Board proposing that a sale process be commenced with the aim of securing a general offer for the issued share capital of API Group plc.

Following discussions with these and other large Shareholders and

after due consideration, the Board issued a statement on 30 March 2012 advising that, barring unforeseen events, such a process would be explored during the third calendar quarter of 2012.

Dividend

In light of the Group's improved financial position, the Board now has greater flexibility in assessing the options for use of funds. At this time payment of a dividend is not being recommended but the Board will continue to keep its policy under review with the aim of maximising returns for shareholders.

Board and Governance

There have been no changes to the composition of the Board since the last Annual Report. The Board and its Committees have functioned well throughout the year. In particular, I would like to thank the Directors nominated by our two leading Shareholders for their support during consideration of the sale proposals referred to above.

Our People

On behalf of the Board, I must thank all the Group's employees for their invaluable contribution to the achievements of the last 12 months and the continued progress of the business in the face of such challenging economic conditions.

Outlook

The Board remains cautiously optimistic about the Group's prospects for the new financial year. The general economic climate and uncertainty surrounding the Euro continues to impact consumer confidence and economic growth in the regions and markets served by API. However, end markets for premium products which drive a significant proportion of sales have so far proved relatively resilient.

As the Group enters the new financial year, Laminates volumes remain buoyant on its existing core business and, with installation of the new laminator completed to schedule in April, shipments against the new multi-year supply contract are expected to commence from late June.

In the Foils businesses, order levels are steady in most sectors with potential for additional metallised pigment revenues in the US. Holographics is continuing to make progress in security markets offsetting the lower inter-company sales following the end of a significant joint project with Laminates.

Overall, the outlook on volumes and a full year benefit from pricing action taken during 2011/12 to recover increased raw material costs underpin the Board's confidence in the Group making further progress in the coming year.

Richard C Wright
Chairman

Business Review

Andrew Turner & Chris Smith

It is encouraging to note that profits improved in three of the Group's four business units

Group Operating Results

Group revenues for the 12 months to March 2012 were £113.9m, an increase of 14.2% at constant exchange rates compared to the previous reporting period (14.0% at actual exchange rates). All business units recorded increases in revenues, with Laminates (+23.7%) and Holographics (+20.8%) having a particularly strong year. The Foils businesses saw generally weak end markets but achieved increased sales revenues due to improved product mix and higher selling prices.

Operating profits increased by £1.7m or 32.4% to £6.9m (2011: £5.2m) with operating margins at 6.0% compared to 5.2% for the previous 12 months.

Three of the Group's four business units increased operating profits. Holographics (+£1.0m) made excellent progress in growing sales in its target security markets, Foils Americas (+£0.9m) enjoyed strong demand for its metallic pigment product and benefited from lower operating costs, and Laminates (+£0.5m) built on the previous year's growth in the tobacco and personal care sectors. Margins in all businesses have now returned to more acceptable levels following the significant raw material cost increases experienced in late 2010/early 2011.

The Group's second half performance was slightly weaker than the preceding six months of 2011/12, although sales and operating profit were still ahead of the second half of 2010/11 by 4.2% and 14.7% respectively (at constant exchange rates).

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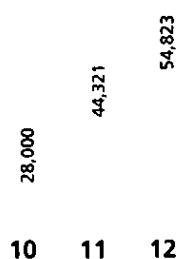
Laminates

API Laminates produced another very strong year for the Group with sales of £54.8m, 24% higher than the preceding year (£44.3m) and just less than double the level reported in 2010 (£28.0m). Increased allocation of brand owner marketing spend towards higher added value packaging designs led to growth in demand across the business' three key market sectors. Revenues in pan-European tobacco increased 45.9%, health & beauty was ahead by 35.4% and alcoholic drinks maintained the high levels of activity experienced in 2010/11. Approximately 7% of sales growth was accounted for by the partial pass-through of higher input costs relating to specification changes and increased material prices, leaving underlying volumes ahead by 17.3%.

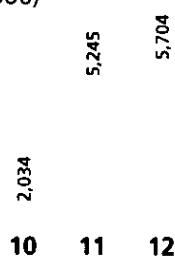
Contribution from higher volumes was diluted by some absorption of input cost increases on certain long term customer contracts plus supply chain inefficiencies experienced in the middle of the year connected with a new product launch. Nevertheless, other costs were tightly controlled and operating profits advanced by £0.5m to £5.7m, representing an operating margin of 10.4%.

Installation of the new lamination machine at Laminates' Poynton manufacturing site was effectively managed, with minimal disruption to ongoing operations. Significant progress was made establishing the raw material supply chain and qualifying the finished product for the new customer supply contract. Volumes are expected to come on stream towards the end of the first quarter of the new financial year.

Revenue (£'000)

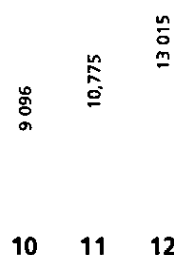


Operating profit (£'000)

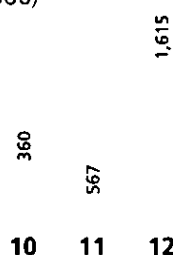


Holographics

Revenue (£'000)



Operating profit (£'000)



Holographics sales demonstrated strong year-on-year improvement, ending the period 20.8% higher at £13.0m (2011: £10.8m). The business delivered growth of 37.4% in its target segments of security, ID and product authentication assisted by continued investment in sales & marketing and increased management focus. Intra-Group sales of decorative holographic products were flat year-on-year, with the second half weaker than the first as a significant film supply arrangement with Laminates came to an end.

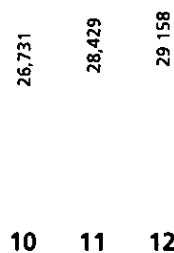
Production costs and overheads increased to support the growth in security sales. However, the richer business mix and improved recovery of fixed costs resulted in operating profits £1.0m ahead at £1.6m with an operating margin of 12.4%.

Foils Europe

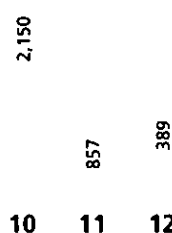
The Foils Europe business made limited progress in the period as the expected recovery in margins from higher prices was offset by lower volumes, especially in the second half. Full year sales of £29.2m were 2.6% ahead of last year (1.5% at constant exchange rates). However, after accounting for the pass-through of material costs in higher selling prices, volumes were down 8.3%, leaving sales contribution broadly flat. On a regional basis, sales performance was mixed, with growth in Italy and Australia more than offset by weakness in France, the UK and key export markets in Eastern Europe, Middle East and Africa. Operating costs were higher by £0.4m due to increased selling expenses and poor matching of production costs to demand. The higher costs combined with flat year-on-year sales contribution led to a fall in operating profit to £0.4m compared with £0.9m in 2010/11.

The establishment of a separate management team for Foils Europe was completed during the final quarter of the financial year and is focused on overhauling the service proposition, driving sales growth and aligning costs to volumes. During May 2012, a new sales and distribution hub commenced operations in Warsaw, Poland.

Revenue (£'000)

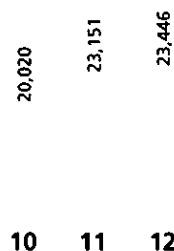


Operating profit (£'000)

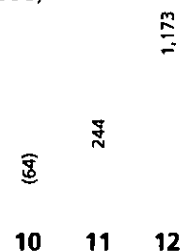


Foils Americas

Revenue (£'000)



Operating profit (£'000)



Foils Americas' sales of £23.4m were 3.6% ahead of prior year at constant exchange rates and 1.3% ahead at actual rates. The business benefited from healthy orders for its metallic pigment intermediary (+30.8%) and some recovery in the greeting card segment. Nevertheless, weak demand from the general graphics and packaging sectors and an exit from a number of low margin accounts led to a decline in overall volumes by 7.6%, albeit on a significantly improved mix.

Higher selling prices and favourable sales mix compensated for lower volumes to leave sales contribution broadly unchanged year-on-year. Operating costs were lower by £0.9m driven by more effective use of coating capacity across the two locations and lower general expenses. The resulting full year profit was £0.9m ahead of 2010/11 at £1.2m representing an operating margin of 5.0%.

In August 2011, the Foils Americas' New Jersey manufacturing facility suffered severe flooding as a result of Hurricane Irene. Management and staff worked tirelessly to bring production back on stream within just a few days and, despite significant damage to stock and facilities, customers were spared any significant disruption to supplies. Insurance policies ensured that losses incurred as a result of the incident were settled with minimal impact on the Group's income statement and cash position.

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Central Costs

Full year central costs were up £0.3m, including £0.1m relating to the Board's consideration of options in response to certain Shareholder actions, reorganisation costs of £0.1m and exchange losses of £0.1m

Discontinued Operations

In January 2011, the Group disposed of its 51% ownership in Shanghai Shen Yong Stamping Foil Co. Limited. Prior year comparatives disclosed in the financial statements include the results of the China subsidiary as a fully consolidated entity but classified under discontinued operations

Further details are provided in Note 7 to the financial statements

Impairment

The Board considers that no impairments to goodwill or asset carrying values are necessary

Finance Costs

For the year ended 31 March 2012, net finance costs fell £0.5m to £1.8m. Financing costs relating to the Group's bank borrowings reduced by £0.3m, comprising lower interest charges of £0.4m partly offset by an increase of £0.1m relating to facility fee charges. Pension finance costs fell £0.2m as a result of a lower non-cash pension charge (£0.4m) but higher running costs for PPF levy and investment advisory fees. Further details are provided in Note 17 to the financial statements

Taxation

For the year to 31 March 2012, net taxation of £0.1m has been charged to the income statement. This compares to a net tax charge of £0.3m for the previous 12 months

The Group continues to benefit from accumulated tax losses in the UK and USA. A deferred tax charge of £1.5m (2011: £1.1m) principally on UK profits has been balanced by a deferred tax credit of £1.5m (2011: £1.0m) primarily from increased tax loss recognition relating to Foils Americas' recent improvement in trading performance

Remaining unrecognised tax losses at 31 March 2012 of £4.2m (2011: £3.6m) in the UK and \$12.6m (2011: \$15.1m) in the US are in addition to unclaimed capital allowances in the UK of £5.4m (2011: £8.7m)

Deferred tax assets associated with pension liabilities reduced from £2.5m at March 2011 to £2.1m at 31 March 2012 in line with the fall in the net pension deficit and the reduction in the UK corporate tax rate from 26% to 24% for the coming financial year

A full reconciliation of the total tax charge is shown in Note 6(b) to the financial statements

Earnings per Share

Basic earnings per share from continuing operations of 6.7p represents an increase of 91% compared to 3.5p for the year ended 31 March 2011

Shareholders' Funds

The Group's net assets rose to £21.3m at 31 March 2012, an increase of £6.0m (+39.4%) on the position twelve months earlier

Cash Flow and Net Debt

The Group had another strong year for cash generation with a net cash inflow from operating activities of £8.7m exceeding the £8.5m generated for the year to 31 March 2011

Control of working capital is a key aspect of the Group's debt management. At the end of March 2012, working capital efficiency, measured by reference to trailing three month sales (annualised), was 7.9% compared to 8.9% at 31 March 2011. Despite higher sales activity, year-end working capital was £1.0m lower than 12 months earlier

With a much improved balance sheet, the Board has been able to sanction increased capital spending to enhance the Group's asset base and earnings potential, including the new machine for Laminates announced in July 2011. As a consequence, for the 12 months to March 2012, capital additions amounted to £3.5m, three times the level of the previous year. Cash flows relating to this capital investment amounted to £2.7m (2011: £1.2m), of which the new production line at Laminates accounted for £1.2m (£2011: £0.2m). Depreciation for the year was £2.4m (2011: £2.9m)

Interest expense cash flow reduced by £0.7m to £0.8m for the year

Net debt (financial liabilities excluding the fair value of derivatives, less cash) reduced substantially for the second consecutive year, closing at £3.6m compared with £8.5m one year earlier and £10.0m at 30 September 2011

As at 31 March 2012, the Group's debt cover ratio (net debt to trailing 12 month EBITDA) was down to 0.4x (2011: 1.1x, 2010: 3.9x) with gearing (net debt to Shareholders' funds) at 17% (2011: 56%, 2010: 107%)

Borrowings and Liquidity

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

The Group's UK banking facilities are with Barclays Bank PLC and are in place until July 2013. During the year, the Group extended its facilities with Barclays with temporary increases in term and overdraft loans to meet expected peak cash flows relating to the Laminates investment project and the working capital build to support the associated supply deal. Facilities at 31 March 2012 totalled £16.75m (2011: £14.1m) comprising amortising loans of £8.0m repayable over the term of the facility with a final £4.25m due in July 2013, a term loan of £3.75m repayable in July 2013 and a multi-option overdraft facility of £5.0m renewable in November 2012. UK borrowings are secured against the Group's UK assets and are subject to four quarterly financial covenant targets.

In North America, bank facilities are with Wells Fargo Bank and extend to October 2013. Facilities comprise a \$1.5m amortising loan and a \$5.5m asset backed overdraft facility. Borrowings are secured on working capital, plant and equipment and the Kansas property and are subject to quarterly covenant targets.

Foreign Currency Exchange Rates

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

Rate to £1	US \$	Euro	RMB
31 March 2012			
Average	1.59	1.16	—
Closing	1.60	1.20	—
31 March 2011			
Average	1.56	1.18	10.36
Closing	1.60	1.13	10.50

Pensions

The Group operates a number of pension schemes for the benefit of its past and current employees. UK and US defined benefit pension plans, both of which are closed to future accrual, are accounted for under IAS 19. At 31 March 2012 the Group's IAS 19 gross pension liability was calculated at £8.6m (2011: £9.7m). After accounting for a deferred tax asset of £2.1m (2010: £2.5m) the net liability amounts to £6.5m (2011: £7.2m).

The API Group plc Pension and Life Assurance Fund, the UK based fund, has approximately 1,620 pensioners and deferred members and net liabilities assessed at £7.5m (2011: £9.0m). The UK scheme has admitted no new members since October 2006 and the scheme was closed to future service accrual on 31 December 2008. Exceptionally low yields on gilts have pulled down the discount rates used to value scheme liabilities from 5.65% to 4.85%. The resultant increase in liabilities of £9.4m has been mitigated by lower long term inflation assumptions (£2.7m) and an experience gain of £7.2m arising from updated member data used for calculating the scheme liabilities. In addition, the UK scheme benefited from above-target asset investment performance of £0.3m and received a deficit-reduction contribution from the Company of £0.7m (2011: £0.4m).

The UK scheme recently completed its triennial valuation based on its position at 30 September 2010. The valuation calculated a funding deficit of £15.7m with a funding ratio of 81%. As part of the completion of the review, the Company and Scheme Trustees agreed a funding plan which left the schedule of contributions by the Company unchanged from the previous arrangement. Under the new plan, it is estimated that annual contributions of £0.7m per annum, in conjunction with assumed return on scheme assets, will reduce the scheme deficit to zero by June 2019. The Company also continues to pay all pension related administration fees on behalf of the Fund.

In the US the Company defined benefit scheme was closed to new entrants and future accrual in 2004. Membership is approximately 170 current and past employees. Details of the net deficit of £1.1m (2011: £0.7m) are included in Note 17 to the financial statements.

At the Group's US manufacturing facility in New Jersey, current and past US employees covered by union contracts are members of a union managed multi-employer defined benefit pension plan. This scheme remains open and operates under the terms of the site's collective bargaining agreement. In accordance with IAS 19, this scheme is accounted for as a defined contribution plan.

Business Review

continued

Environment, Health and Safety ("EHS")

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's EHS policy provides a framework and guidelines for the Group's businesses to ensure that they meet or exceed all local legal and regulatory requirements and maintain suitably active and directed management programmes at site level. There is a clear emphasis on the responsibilities of local management teams, with oversight through line management and support from Group resources.

The Group Chief Executive is accountable to the Board for overall leadership of the Group's EHS management programme. All sites report monthly on their EHS performance, with accident and other statistics compiled by business unit and for the Group as a whole. Each site also completes an annual review of performance, including progress against annual objectives, and sets out a plan of improvements for the year ahead. As a matter of policy, EHS is placed first on the agenda of all regular business review meetings, including Board meetings. At least one EHS item is included on the list of personal objectives for all business unit general managers and operations managers which are in turn linked to the annual bonus scheme.

The Environment

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

API Group complies with all applicable environmental legislation and continues to invest in systems and equipment to ensure that environmental performance is measured and improved in the key areas of solvent emissions, energy efficiency, noise, process and packaging waste and soil/groundwater protection. For 2011/12, the Group compiled its first full year of standardised data on monthly waste emissions and energy consumption at all thirteen API facilities. The statistics derived from this data are intended to be used as a benchmark to judge the success of targeted improvement activities in the years ahead.

During the year, four environmental incidents were logged under the Group's internal reporting. These incidents comprised a temporary exhausting to atmosphere of solvent laden dryer air due to a ducting failure (estimated 180kg solvent), an overflow of oil (estimated 100 litres) onto adjacent land leading to minor groundwater

contamination, a significant spill of solvent based liquid (estimated 1,700 litres) which was nevertheless fully contained within the affected premises, and a failure to submit certain records to authorities used for monitoring purposes. All incidents were promptly responded to and notified to relevant authorities, as appropriate.

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 accountability and review, supplemented by central collation of statistics, management ensures that Health & 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 EHS approach and it encourages this through the organisation and funding of both internal and external health & safety training. The Group EHS policy defines minimum training standards for nominated safety officers on each site and all supervisors and managers with responsibility for production operations.

Significant Health & Safety incidents (employee injuries, work-related illnesses and dangerous occurrences) are defined in Group policy and statistics compiled for review by management and the Board. For the 12 months to 31 March 2012, the total number of Group-reportable incidents per 100,000 working hours was recorded as 1.71 compared to 2.50 for the prior year. Within this total, the frequency of Lost Time Accidents ("LTA" — accidents leading to more than one day of absence from work) reduced from 0.64 to 0.20, equating to just two LTAs Group-wide for the 12 month period. Total days absence from LTAs logged during 2011/12 but connected with incidents occurring in both the latest and prior years, were up from 110 to 281.

A particular EHS focus over the period has been on reducing the risk of fire and explosion at the Group's five manufacturing plants. Throughout the year, site management teams worked to improve their ratings against the Group's new introduced Fire and Explosion Prevention Standard, a comprehensive guide to best practice techniques, processes and controls. At the end of the 12 month period, the average rating had improved from 292 to 328 out of a maximum achievable score of 400.

Principal Risks and Uncertainties

Operational

Markets

A key risk faced by the business is a reduction in levels of demand by customers. In general, customers are unencumbered by formal contractual commitments and provide limited visibility of future volume requirements. Ultimately, order levels depend on rates of consumption several stages removed from the Group's point of sale combined with the effects of confidence and decision making by multiple parties within the supply chain which are difficult to predict. While the Group constantly strives to adapt its operations to prevailing demand, its cost base is inevitably somewhat inelastic and financial results are therefore difficult to insulate from any sharp or prolonged downturn in market activity.

Commercial Relationships

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

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.

Input Costs

A significant proportion of the Group's raw material and conversion costs are affected by the price of oil and gas and the dynamics of particular commodity supply sectors. As well as being difficult to insulate input costs from volatility in the price of these commodities, the Group can also face challenges in passing higher costs through to customers due to competitive pressures in most markets.

Defined Benefit Pension Schemes

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

Health & Safety

The Group's operations are subject to a variety of Health & Safety risks which, if they are not properly managed and controlled, could lead to the suspension or withdrawal of operating consents by enforcement authorities, corporate prosecution or the loss of productive capacity through damage to equipment or facilities. Whilst Health & Safety is given the higher priority, an active programme is in place to control exposure to fire and explosion risk and although management works closely with insurers on the prevention of property loss and business interruption, there remains the potential for significant adverse disruption to the Group's activities and financial contingencies which may not be wholly covered by insurance.

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 but failure to meet required standards could lead to the suspension or withdrawal of operating consents by enforcement authorities or financial and reputational loss arising from corporate prosecution.

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.

Business Review

continued

Principal Risks and Uncertainties continued

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 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. 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 21 to the financial statements.

Credit

Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed. Customers are assessed for financial reliability using external rating agencies. Secure payment terms are frequently used in riskier geographies or for riskier customers. The Group frequently assesses the cost and benefits of credit insurance and procures coverage as considered appropriate.

Liquidity

Liquidity risk refers to the risk that the Group may not be able to settle or meet its financial 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 short term cash flow forecasting, rolling 12 month trading 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.

Board of Directors

Richard Wright

Chairman

Richard joined the Board on 3 September 2001 and was appointed Chairman on 1 February 2006. He is a member of the Nomination, Remuneration and Audit Committees. Richard 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 currently a Non-executive Director and Chairman Designate of Caffyns plc and a member of the Board of WBS, Warwick University Business School. He is the former Chair of the Board of National Savings and Investments, a former Non-executive Director of Mentmore plc, Wagon plc, Chargemaster plc, Sonas Group Limited and Sonas Investments Limited.

Andrew Walker

Non-executive Director, Senior Independent Director

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

Max Batzer

Non-executive Director

Max joined the Board in October 2007 and is Chairman of the Nominations Committee and a member of the Remuneration Committee. Max 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 Integral Wealth Management and has previously held positions as Chairman of the Board and CEO of Diagnostic Health Services, Director of Cornell Companies, Inc., Director and Executive Committee member of Simmons Airlines Inc., a publicly traded regional airline, and President of General Hide and Skin Corporation a worldwide trading organisation.

Andrew Turner

Group Chief Executive

Andrew joined the Board in October 2007 as Group Chief Executive. He is a graduate mechanical engineer with an MBA and has over 15 years' experience in the packaging sector. Prior to joining API, Andrew was Global Vice President, Marketing & Sales for the Tobacco Packaging sector of Alcan, the worldwide aluminium producer, and 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.

Chris Smith

Group Finance Director

Chris joined the Board in September 2008 as Group Finance Director. He is a qualified ACA and has in excess of 20 years' experience working in manufacturing businesses. Chris has previously held a variety of roles at Courtaulds plc, manufacturers of films, chemicals and fibres, where he gained international experience, holding positions located in Germany and Hong Kong. Prior to joining API, Chris worked for Scapa plc, manufacturers of adhesive tapes, where he was Finance and IT Director for Europe and Asia.

Luke Wiseman

Non-executive Director

Luke joined the Board in September 2006 and is a member of the Audit Committee. Luke is Chairman of Barbican Group Holdings Limited, an insurance and reinsurance company based in London. He is also a Director of Olivetree Securities Limited and Steel Partners (UK) Limited, whose affiliates have a significant beneficial interest in the shares in the Company.

Directors' Report

The Directors present their Annual Report and the audited financial statements for the year ended 31 March 2012. The Corporate Governance statement on pages 20 to 22 forms part of this Directors' Report.

Principal Activities

API Group plc is the holding company of a group of companies which manufacture and distribute specialty foils, films 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 63.

Results, Business Review and Future Developments

The Group Income Statement is set out on page 24.

The Directors' Report should be read together with the Business Review on pages 7 to 14 which set out a review of the Group's activities, performance and development.

Directors

The Directors who served on the Board of the Company during the year to 31 March 2012 were:

Richard Wright
Andrew Turner
Max Batzer
Chris Smith
Andrew Walker
Luke Wiseman

The Company's Articles of Association require that Directors are subject to retirement by rotation and re-election by Shareholders at intervals of not more than three years.

Mr Smith and Mr Walker were last re-elected by Shareholders at the 2009 Annual General Meeting and will therefore offer themselves for re-election at the 2012 Annual General Meeting. Their biographical details can be found on page 15. The Board recognises and values the performance and contribution of both Mr Smith and Mr Walker and recommends their re-election.

Details of Directors' share options and emoluments (required to be disclosed in accordance with the AIM Rules for Companies) are set out in the schedule of Directors' Emoluments on pages 18 to 19.

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	32.4
Wynnefield Capital, Inc	29.7
Crystal Amber Fund Limited	7.0
Hargreave Hale Nominees Limited	5.1
API Group plc No 2 Employee Benefit Trust	3.9

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. Pages 13 to 14 of the Business Review contain information on the principal risks facing the Group and Note 21 to the financial statements contains details of sensitivity to financial risks.

Safety, Health and the Environment

One of the Group's primary objectives is to achieve high standards of safety for its employees and this is the first item on the Agenda at the Company's Board meetings. 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 takes appropriate steps to inform employees of the circumstances facing its businesses, their progress and plans to promote a sense of common endeavour towards the success of the organisation. The Company encourages 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, disability, race, religion or belief, gender, sexual orientation, gender reassignment, colour, nationality, ethnic or national origin, and marital or civil partner status. The Group endeavours to give full and fair consideration to the possibility of employing disabled people wherever a suitable vacancy arises. Disabled employees have the same opportunities as other employees in relation to training, career development and promotion.

The Board has implemented a Whistleblowing Policy to enable and encourage employees regardless of seniority to bring matters relating to suspected wrongdoing or dangers at work to the Board's attention. Copies of the Whistleblowing Policy are available to employees on the Company's Intranet and also the Employee Handbook. Arrangements are in place for a proportionate and independent investigation of any such allegations and for appropriate follow-up action where required.

Research and Development

Each business unit has technical teams which focus on innovating, customising and developing existing and new product lines and manufacturing processes to address customer and market requirements. Details of the Group's expenditure on research and development are disclosed in Note 3 to the financial statements.

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 practice 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 £2,231 (2011: £1,012). There were no political donations.

Going Concern

The financial position of the Group, including its cash flows, liquidity situation and borrowing facilities are set out in the Business Review on pages 7 to 11. The Group's main borrowing facilities in the UK and the US are committed to July 2013 and October 2013 respectively.

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 Business Review on pages 7 to 11 sets out the Group's trading situation and pages 13 to 14 highlights the Principal Risks and Uncertainties that could impact on the future development of the Group's operating and financial performance. The unsettled general economic environment in its main European and US markets could adversely affect demand for the Group's products and there is the possibility that the Group's actual trading performance during the coming year may be materially different from management's expectation.

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.

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, and as required by the AIM Rules, the Directors have elected to prepare Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law, the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

The Directors are required to prepare financial statements which present fairly the financial position, financial performance and cash flows of the Group for the relevant period.

In preparing those financial statements the Directors are required to

- select suitable accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and performance,
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business, and
- state that the Group has complied with IFRSs.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of 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 16. 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 information of which the Company's Auditor is unaware. Each Director has taken such steps as he might reasonably be expected to take as a Director in order to make himself aware of information which might be relevant to the Company's Auditor and whether the Auditor is in possession of such information.

Auditor

Ernst & Young LLP has expressed its willingness to continue in office as Auditor and a resolution proposing its reappointment will be put to the members at the Annual General Meeting.

By order of the Board



Wendy Baker
Company Secretary
28 May 2012

Registered Office
Second Avenue
Poynton Industrial Estate
Poynton, Cheshire
SK12 1ND

Directors' Emoluments

The emoluments of the Directors are as follows

	Aggregate emoluments £'000	Pension contributions £'000	Total £'000
Year ended 31 March 2012			
Executive Directors			
⁽¹⁾ Andrew Turner	383	22	405
⁽²⁾ Chris Smith	225	14	239
Non-executive Directors			
⁽³⁾ Richard Wright	67	—	67
⁽⁴⁾ Andrew Walker	34	—	34
⁽⁵⁾ Luke Wiseman	26	—	26
⁽⁶⁾ Max Batzer	30	—	30
	765	36	801

Year ended 31 March 2011

Executive Directors			
Andrew Turner	408	21	429
Chris Smith	248	14	262
Non-executive Directors			
Richard Wright	50	—	50
Andrew Walker	30	—	30
Luke Wiseman	25	—	25
Max Batzer	25	—	25
	786	35	821

- (1) Mr Turner received an annual increase on his basic salary of 2.5% with effect from 1 January 2012. The aggregate emoluments also include a bonus award of £119,000 as determined by the Remuneration Committee based on a bonus plan relating to financial and operating targets.
- (2) Mr Smith received an annual increase of 3.0% on his basic salary with effect from 1 January 2012. The aggregate emoluments include a bonus award of £77,000 as determined by the Remuneration Committee based on a bonus plan relating to financial and operating targets.
- (3) Mr Wright's annual fee increased to £55,000 with effect from 1 June 2011. During the year Mr Wright also received an additional fee of £12,000 in relation to extra time spent in evaluating certain strategic options for the Company.
- (4) Mr Walker's annual fee was increased to £31,000 with effect from 1 June 2011. During the year Mr Walker also received an additional fee of £3,000 in relation to extra time spent in evaluating certain strategic options for the Company.
- (5) Mr Wiseman's annual fee was increased to £26,000 with effect from 1 June 2011.
- (6) Mr Batzer's annual fee increased to £26,000 with effect from 1 June 2011. During the year, Mr Batzer received an additional fee of £4,000 in relation to extra time spent in evaluating certain strategic options for the Company.

Share options**2006 Performance Share Plan**

The Executive Directors hold options over the Company's Ordinary Shares of 1p as follows

	Andrew Turner No	Chris Smith No	Total No
At 31 March 2011	800,000	325,000	1,125,000
Lapsed during the year	(396,800)	(161,200)	(558,000)
At 31 March 2012	403,200	163,800	567,000

These options were granted under the 2006 Performance Share Plan on 28 March 2008 to Mr Turner and on 30 September 2008 to Mr Smith. The options were granted as "nil" cost options and they were subject to the achievement of profit-related targets. Following the determination of the Remuneration Committee, taking into account profit-related targets, 50.4% of Mr Turner's options vested on 7 June 2011 and 50.4% of Mr Smith's options vested on 30 September 2011 ('Vested Options') and the remainder lapsed in accordance with the scheme rules. Mr Turner's Vested Options are exercisable between 7 June 2011 and 8 June 2018 and Mr Smith's Vested Options are exercisable between 30 September 2011 and 1 October 2018.

Long Term Incentive Plan ("LTIP")

Under the terms of the LTIP, the Executive Directors hold contingent shares in the Company's Ordinary Shares of 1p as follows

	Andrew Turner No	Chris Smith No	Total No
At 31 March 2011 and 31 March 2012	1,800,000	1,200,000	3,000,000

The contingent shares can be earned following the financial years ended 31 March 2012, 2013, 2014 and 2015 based on a set of performance criteria reflecting increases in Shareholder value.

Following the financial year ended 31 March 2012, the Remuneration Committee has determined, in accordance with the scheme rules and based on the performance criteria reflecting increases in Shareholder value, that 577,856 contingent shares held by Mr Turner had vested and 385,237 contingent shares held by Mr Smith had vested. The shares that have vested will be transferred at nil cost. Full details are given in Note 19 to the consolidated financial statements.

Corporate Governance

The Board has adopted the Quoted Companies Alliance Guidelines (the "Guidelines") for AIM listed companies

The Board

The Board consists of a Non-executive Chairman, two Executive Directors and three Non-executive Directors. A short biography of each Director, which illustrates their wide range of experience, is set out on page 15

There is a clear division of responsibility between the Chairman and Group Chief Executive and written Terms of Reference have been adopted by the Board defining these roles. As Chairman, Richard Wright is responsible for managing the Board, ensuring its effectiveness and setting its agenda. Andrew Turner, Group Chief Executive, is responsible for implementing strategy and is responsible to the Board for the operational and financial performance of the Group.

Andrew Walker is the Senior Independent Director. Notwithstanding his length of service on the Board, Andrew Walker is considered by the Board to be independent of management and free from any business or other relationships which could materially interfere with the exercise of his 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. All the Non-executive Directors constructively challenge and help develop proposals on strategy and bring strong knowledge and experience to the Board's deliberations.

The Board structure ensures that no individual or group dominates the decision making process. As the business has developed, the composition of the Board has been kept under review to ensure that it remains appropriate to the managerial requirements of the Company. There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. The Company's Articles of Association require that one-third of the Directors offer themselves for re-election annually in rotation. This enables the Shareholders to decide on the composition of their Board.

The Board was scheduled to meet 8 times during the year and in fact met 10 times. Each Director attended all Board meetings with the exception that Andrew Walker was unable to attend an unscheduled meeting called at short notice. The Board manages the Company through a formal schedule of matters reserved for its decision. These include overall management of the Company, financial reporting and

controls, material agreements, non-recurring projects, treasury, audit and risk management, remuneration, corporate governance and corporate responsibility. The Board has a keen focus on commercial strategy with strategic plans for both short term and long term growth of each business unit being presented to the Board for review and approval. Long term incentive plans for the Executive Directors and local management are linked to these plans and operating budgets and capital expenditure plans are expected to be in line with the Company's overall commercial strategy. The Board has delegated specific responsibility to the Board Committees set out below and the roles and responsibilities of each Committee are set out in clearly defined Terms of Reference. From time to time and if required the Board will establish ad hoc committees to deal with specific issues.

The Board receives appropriate documentation and financial information which is provided in advance of each Board meeting. This 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.

All Directors are offered appropriate training to develop their knowledge and ensure they remain up to date in relevant matters for which they have responsibility as a member of the Board. A procedure has been adopted for Directors to obtain independent professional advice, where appropriate, and all Directors have unrestricted access to the Company Secretary. The Board has also established a formal process, led by the Chairman, for the annual evaluation of the performance of the Board and its principal Committees. The results are collated and discussed. The latest evaluation confirmed that the Board was operating effectively and no specific action was required. 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.

The Non-executive Directors meet at least annually without the Executive Directors being present.

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 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 Act. Copies of such indemnities are available for inspection upon application to the Company Secretary.

Audit Committee

The Audit Committee consists of Andrew Walker (chair), Richard Wright and Luke Wiseman. The Committee met three times in the year at which the Executive Directors were also present. The Company's Auditor was in attendance at two of those meetings. The Chairman of the Committee also met 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 any non-audit work for which the Auditor is engaged, prior to commitment by the Group.

Internal Control and Risk Management

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. In the context of the Group's business any such system can only reasonably be expected to manage rather than eliminate risks arising from its operations. It can therefore only provide reasonable and not absolute assurance against material loss or misstatement.

Key features of the internal control system are as follows:

- The Group has an organisational structure with clearly established responsibilities and lines of accountability. The Group promotes the values of integrity and professionalism. The members of the Board are available to hear, in confidence, any individual's concerns about improprieties.
- The Audit Committee reports at least twice per year to the Board and provides details and results of both external and internal audit reviews.
- The Board has a schedule of matters expressly reserved for its consideration. This schedule includes acquisitions, major capital projects, treasury, risk management policies, approval of budgets and Health & Safety.
- An ongoing risk management process has been implemented which identifies the key business risks facing the Group including both financial and operational risks. This process and the key business risks are reviewed by the Board at least twice per year.
- The controls in place to minimise the occurrence of risk are documented and analysed for effectiveness. These include procedures for the approval of major expenditure or commitment of resources.
- The Board monitors the activities of the Group through the management accounts, monthly forecasts and other reports on current activities and plans. The Executive management regularly monitors financial and operational performance in detail and takes any necessary corrective action.
- The Group operates a Whistleblowing Policy, enabling any individual with a concern to approach the Board Chairman or Audit Committee Chairman in confidence.

The Board reviews and continues to review the effectiveness of the Group's procedures in managing risk and, therefore, believes it meets the requirements of the Guidelines.

Corporate Governance

continued

The Group has adopted a system of core financial controls which each business unit is expected to operate. External advisers are engaged to test the application of such controls, rating and classifying performance, identifying strengths and weaknesses, and recommending any improvements that need to be made. These findings are reported to the Audit Committee and in response the business unit will prepare a schedule of undertakings for the Audit Committee including actions that will be taken, timescale and who is responsible for completion of the action.

Remuneration Committee

The Committee met six times during the year and is comprised of the following Non-executive Directors: Andrew Walker (chair), Richard Wright and Max 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 advisors 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 remuneration is competitive and that individuals are fairly rewarded for their contribution to the Company's overall performance. It approves the terms of service contracts for 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, including the Chairman, is reviewed and determined by the other members of the Board.

Nominations Committee

The Committee comprises Max Batzer (Chair) and Richard Wright. When appropriate, non-committee members are invited to participate in discussions and matters being addressed by the Committee. The Committee's principal responsibility is to ensure that appropriate procedures are in place for the nomination, selection and succession of Directors and senior Executives. It did not meet formally during the year but considered and approved the appointment of a new General Manager for the Group's Foils Europe business.

Relations with Shareholders

The Company attaches great importance on maintaining good relationships with Shareholders. 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 presents a review of the Company's Results and provides comments on current business activity. The Chairmen of the Remuneration, Nominations and Audit Committees 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 67. The Company's web site provides financial and other business information about the Group including an archive of past announcements, annual reports and share price information.

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

We have audited the consolidated financial statements of API Group plc for the year ended 31 March 2012 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Changes in Equity and the Group Cash Flow Statement, and the related Notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 17, the Directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the consolidated financial statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the consolidated financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited consolidated financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on consolidated financial statements

In our opinion the consolidated financial statements

- give a true and fair view of the state of the Group's affairs as at 31 March 2012 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Parent Company financial statements of API Group plc for the year ended 31 March 2012.

Ernst & Young LLP
Colin Brown
(Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP
Statutory Auditor
Manchester
28 May 2012

- 1 The maintenance and integrity of the API Group plc web site is the responsibility of the Directors, the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the web site.
- 2 Legislation in the United Kingdom governing the preparation and dissemination of consolidated financial statements may differ from legislation in other jurisdictions.

Group Income Statement

for the year ended 31 March 2012

		Year ended 31 March 2012 £'000	Year ended 31 March 2011 £ 000
	Note		
Continuing operations			
Revenue	2	113,935	99,963
Cost of sales		(87,149)	(76,386)
Gross profit		26,786	23,577
Distribution costs		(3,886)	(3,284)
Administrative expenses		(16,022)	(15,099)
Operating profit from continuing operations	2,3	6,878	5,194
Finance revenue	5	13	17
Finance costs	5	(1,832)	(2,354)
		(1,819)	(2,337)
Profit on continuing operations before taxation		5,059	2,857
Tax expense	6	(105)	(265)
Profit from continuing operations		4,954	2,592
Discontinued operations			
Loss from discontinued operations	7	—	(4,124)
Profit/(loss) for the year		4,954	(1,532)
Profit/(loss) attributable to equity holders of the Parent			
— continuing operations		4,954	2,592
— discontinued operations		—	(612)
		4,954	1,980
Loss attributable to non-controlling interest			
— discontinued operations		—	(3,512)
Profit/(loss) for the year		4,954	(1,532)
Earnings per share (pence)			
Basic earnings per share from continuing operations	8	6.7	3.5
Diluted earnings per share from continuing operations	8	6.4	3.4
Basic earnings per share on profit for the year	8	6.7	2.7
Diluted earnings per share on profit for the year	8	6.4	2.6

Group Statement of Comprehensive Income

for the year ended 31 March 2012

	Equity holders of the Parent £'000	Non-controlling interests £'000	Total £'000
Year ended 31 March 2012			
Profit for the year	4,954	—	4,954
Exchange differences on retranslation of foreign operations	(4)	—	(4)
Change in fair value of effective cash flow hedges	937	—	937
Actuarial gains on defined benefit pension plans	300	—	300
Tax on items relating to components of other comprehensive income	(419)	—	(419)
Other comprehensive income for the year, net of tax	814	—	814
Total comprehensive income for the year	5,768	—	5,768

	Equity holders of the Parent £'000	Non-controlling interests £'000	Total £'000
Year ended 31 March 2011			
Profit/(loss) for the year	1,980	(3,512)	(1,532)
Exchange differences on retranslation of foreign operations	(379)	(13)	(392)
Loss arising on net asset hedge	(121)	—	(121)
Change in fair value of effective cash flow hedges	(329)	—	(329)
Actuarial gains on defined benefit pension plans	6,586	—	6,586
Tax on items relating to components of other comprehensive income	(2,104)	—	(2,104)
Other comprehensive income for the year, net of tax	3,653	(13)	3,640
Total comprehensive income for the year	5,633	(3,525)	2,108

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Group Balance Sheet

at 31 March 2012

	Note	31 March 2012 £'000	31 March 2011 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	17,936	16,804
Intangible assets — goodwill	10	5,188	5,188
Trade and other receivables	12	32	94
Deferred tax assets	6	5,230	5,478
		28,386	27,564
Current assets			
Trade and other receivables	12	15,485	16,848
Inventories	13	12,237	12,409
Other financial assets		474	—
Cash and short term deposits	14	10,068	4,175
		38,264	33,432
Total assets	2	66,650	60,996
Liabilities			
Current liabilities			
Trade and other payables	15	22,261	21,952
Financial liabilities	16	4,522	2,830
Income tax payable		307	365
		27,090	25,147
Non-current liabilities			
Financial liabilities	16	9,237	10,514
Deferred tax liabilities	6	307	238
Provisions		76	85
Deficit on defined benefit pension plans	17	8,618	9,719
		18,238	20,556
Total liabilities		45,328	45,703
Net assets		21,322	15,293
Equity			
Called up share capital	18	767	766
Share premium		7,136	7,136
Other reserves	20	8,816	8,565
Foreign exchange reserve	20	255	259
Retained profit/(loss)		4,348	(1,433)
API Group Shareholders' equity		21,322	15,293

Signed on behalf of the Board


Andrew Turner

Director

28 May 2012

Company number 169249

Group Statement of Changes in Equity

for the year ended 31 March 2012

	Equity share capital £'000	Share premium £'000	Other reserves £ 000	Foreign exchange reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
At 1 April 2010	701	7,136	8,595	3,309	(7,805)	11,936
Profit for the year	—	—	—	—	1,980	1,980
Other comprehensive income						
Exchange differences on retranslation of foreign operations	—	—	—	(379)	—	(379)
Loss arising on net asset hedge	—	—	—	(121)	—	(121)
Change in fair value of effective cash flow hedges	—	—	—	—	(329)	(329)
Actuarial gains on defined benefit pension plans	—	—	—	—	6,586	6,586
Tax on items relating to components of other comprehensive income	—	—	—	—	(2,104)	(2,104)
Total comprehensive income for the year	—	—	—	(500)	6,133	5,633
Transfer to income statement on disposal of subsidiaries	—	—	—	(2,550)	—	(2,550)
Issue of shares	65	—	—	—	—	65
Shares acquired by Employee Benefit Trust	—	—	(30)	—	—	(30)
Share-based payments	—	—	—	—	239	239
At 31 March 2011	766	7,136	8,565	259	(1,433)	15,293
Profit for the year	—	—	—	—	4,954	4,954
Other comprehensive income						
Exchange differences on retranslation of foreign operations	—	—	—	(4)	—	(4)
Change in fair value of effective cash flow hedges	—	—	—	—	937	937
Actuarial gains on defined benefit pension plans	—	—	—	—	300	300
Tax on items relating to components of other comprehensive income	—	—	—	—	(419)	(419)
Total comprehensive income for the year	—	—	—	(4)	5,772	5,768
Issue of shares	1	—	—	—	—	1
Shares acquired by the Company	—	—	—	—	(1)	(1)
Shares acquired by Employee Benefit Trust	—	—	(11)	—	—	(11)
Transferred on exercise of share options	—	—	262	—	(262)	—
Share-based payments	—	—	—	—	185	185
Tax relating to items accounted for directly through equity	—	—	—	—	87	87
At 31 March 2012	767	7,136	8,816	255	4,348	21,322

	Shareholders' equity £'000	Non-controlling interest £'000	Total equity £ 000
At 1 April 2010	11,936	5,375	17,311
Total comprehensive income for the year	5,633	(3,525)	2,108
Transfer to income statement on disposal of subsidiaries	(2,550)	—	(2,550)
Elimination of minority interest on disposal	—	(1,850)	(1,850)
Issue of shares	65	—	65
Shares acquired by Employee Benefit Trust	(30)	—	(30)
Share-based payments	239	—	239
At 31 March 2011	15,293	—	15,293
Total comprehensive income for the year	5,768	—	5,768
Issue of shares	1	—	1
Shares acquired by the Company	(1)	—	(1)
Shares acquired by Employee Benefit Trust	(11)	—	(11)
Share-based payments	185	—	185
Tax relating to items accounted for directly through equity	87	—	87
At 31 March 2012	21,322	—	21,322

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Group Cash Flow Statement

for the year ended 31 March 2012

	Note	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Operating activities			
Group profit before tax from continuing operations		5,059	2,857
<i>Adjustments to reconcile Group profit before tax to net cash flow from operating activities</i>			
Operating loss from discontinued operations		—	(7,215)
Net finance costs		1,819	2,337
Depreciation of property, plant and equipment		2,368	2,942
Impairment of property, plant and equipment		—	5,850
(Profit)/loss on disposal of property, plant and equipment		(2)	28
Movement in fair value foreign exchange contracts		(83)	78
Share-based payments		185	239
Difference between pension contributions paid and amounts recognised in the income statement		(1,539)	(1,037)
Decrease/(increase) in inventories		156	(2,047)
Decrease/(increase) in trade and other receivables		1,260	(2,588)
(Decrease)/increase in trade and other payables		(304)	7,201
Movement in provisions		(9)	(12)
Cash generated from operations		8,910	8,633
Income taxes paid		(171)	(140)
Net cash flow from operating activities		8,739	8,493
Investing activities			
Interest received		13	17
Purchase of property, plant and equipment		(2,736)	(1,153)
Sale of property, plant and equipment		5	21
Sale of subsidiary undertakings		—	1,783
Cash and cash equivalents of subsidiary undertakings sold		—	(296)
Net cash flow from investing activities		(2,718)	372
Financing activities			
Interest paid		(832)	(1,480)
Proceeds from share issues		1	65
Purchase of shares by the Company		(1)	—
Purchase of shares by Employee Benefit Trust		(11)	(30)
New borrowings		1,913	1,214
Repayment of borrowings		(996)	(5,382)
Net cash flow from financing activities		74	(5,613)
Increase in cash and cash equivalents		6,095	3,252
Effect of exchange rates on cash and cash equivalents		8	13
Cash and cash equivalents at the beginning of the period	14	2,719	(546)
Cash and cash equivalents at the end of the period	14	8,822	2,719

Notes to the Consolidated Financial Statements

1 Group accounting policies

Authorisation of financial statements

The Group's financial statements for the year ended 31 March 2012 were authorised for issue by the Board of Directors on 28 May 2012 and the balance sheet was signed on the Board's behalf by Andrew Turner Group Chief Executive

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 under the historical cost convention 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 2012 and applied in accordance with the Companies Act 2006. 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.

Going concern

The Group meets its day-to-day working capital requirements through overdraft and loan facilities, as detailed in Note 16 to the consolidated financial statements. The principal facilities relate to the UK and the US. These facilities currently extend to July 2013 and October 2013 respectively.

The Group has demonstrated further recovery over the financial year ended 31 March 2012. However, the unsettled general economic environment, particularly in its main European and US markets, could adversely affect demand for its products. The Group's forecasts and projections, allowing for a possible deterioration in trading performance, show that the Group has a reasonable expectation of being able to operate within the level of currently available facilities.

Accordingly, as set out in the Directors' Report, the accounts have been prepared on the going concern basis.

Accounting policies

The principal accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2012. These policies have been consistently applied to all periods presented unless otherwise stated.

The following new and amended standards and interpretations came into effect for accounting periods commencing on or after 1 April 2011. Insofar as they are relevant to the Group's operations, adoption of these revised standards and interpretations did not have any material effect on the financial statements of the Group.

- IAS 24R — Related party disclosures
- IFRS 7 — Financial instruments disclosures
- IFRIC 14 — Prepayments of minimum funding requirement (amendment)
- IFRIC 19 — Extinguishing financial liabilities with equity instruments
- Improvements to IFRSs (issued May 2011)

At the date of the authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective. The Directors anticipate that the Group will adopt these standards and interpretations with effect from the commencement of the first accounting period after the relevant effective dates.

Notes to the Consolidated Financial Statements

continued

1 Group accounting policies continued

International Accounting Standards (IAS/IFRSs)	Effective date
● IAS 12 — Income taxes (amendment)	1 January 2012
● IFRS 9 — Financial instruments Classification and measurement	1 January 2013
● IFRS 10 — Consolidated financial statements	1 January 2013
● IFRS 11 — Joint arrangements	1 January 2013
● IFRS 12 — Disclosure of interests in other entities	1 January 2013
● IFRS 13 — Fair value measurements	1 January 2013
● IAS 1 — Presentation of financial statements (amendment)	1 July 2012
● IAS 12 — Income taxes (amendment)	1 January 2012
● IAS 19 — Employee benefits (amendment)	1 January 2013
● IAS 27 — Separate financial statements	1 January 2013
● IAS 32 — Financial instruments presentation	1 January 2014
● IFRS 7 — Financial instruments disclosures (amendment)	1 January 2013

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 impairment of property, plant and equipment and goodwill are given in Note 11.

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 6.

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 17.

Basis of consolidation

The consolidated accounts comprise those of the Parent Company and its subsidiary undertakings for the year ended 31 March 2012. 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.

Non-controlling interest represents the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented within equity in the consolidated balance sheet, separately from Parent Shareholders' equity.

1 Group accounting policies continued**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. 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.

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. Rebates and discounts are recognised in accordance with contractual obligations held with customers. They are recognised in the period to which they relate.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense.

Discontinued operations

A discontinued operation is a business that has either been sold or can be classified as a disposal group held for sale in accordance with IFRS 5. The profit or loss on discontinued operations comprises the trading results up to the date of disposal and the profit or loss on disposal of businesses sold during the year. Where businesses meet the definition of discontinued operations during the current year, the comparative data is reclassified to reflect those businesses as discontinued.

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.

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 de-recognition 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.

Impairment of non-financial assets

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. Property, plant and equipment is reviewed to ensure that assets are not carried at above their recoverable amounts once some indication of impairment exists. Calculations are made of the discounted cash flows resulting from continued use of the assets (value-in-use) or from their disposal (fair value less costs to sell). Where these values are less than the carrying amount of the assets, an impairment loss is charged to the income statement.

Notes to the Consolidated Financial Statements

continued

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. 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. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use and for sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during the development.

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 inventory. 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 are 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.

1 Group accounting policies continued

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. The carrying value of deferred tax assets is reviewed at each 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 or other comprehensive income

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 the 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 Comprehensive Income 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

The US business contributes to a multi-employer defined benefit pension scheme. This scheme is accounted for as a defined contribution scheme, as the information available from the scheme administrators is insufficient for it to be accounted for as a defined benefit scheme

Notes to the Consolidated Financial Statements

continued

1 Group accounting policies continued

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 Benefit Trust (the "Trust")

The Company has a discretionary trust established to facilitate the operation of the Company Executive share option schemes and long term incentive plans. Shares in API Group plc held by the Trust are deducted from equity as treasury shares 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.

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 is transferred to the income statement.

2 Segmental analysis

The Group produces monthly management information to enable the Board, including the Group Chief Executive, to monitor the financial performance of its constituent parts. This information is analysed by business unit. Following the disposal of the China business in 2011, the residual businesses within the Asia Pacific unit are now managed and reported within the Foils Europe business unit. The Holographics business unit is now managed and reported separately from Foils Europe and comparative figures have been adjusted accordingly.

Revenue

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Continuing operations		
Total revenue by origin		
Foils Europe	29,158	28,429
Foils Americas	23,446	23,151
Holographics	13,015	10,775
Laminates	54,823	44,321
	120,442	106,676
Inter-segmental revenue		
Foils Europe	980	1,095
Foils Americas	566	733
Holographics	4,868	4,855
Laminates	93	30
	6,507	6,713
External revenue by origin		
Foils Europe	28,178	27,334
Foils Americas	22,880	22,418
Holographics	8,147	5,920
Laminates	54,730	44,291
Segment revenue	113,935	99,963
External revenue by destination		
Continuing operations		
UK	37,778	36,881
Rest of Europe	48,243	33,213
Americas	21,105	21,264
Asia Pacific	6,062	7,898
Africa	747	707
	113,935	99,963
Discontinued operations		
Europe	—	895
Asia Pacific	—	6,530
	—	7,425

All revenue is derived from the sale of goods.

During the year ended 31 March 2012 there were two major customers, reported within the Laminates segment, which comprised 10% or more of the total external revenue, amounting to £19,841,000 (2011: £14,696,000) and £17,601,000 (2011: £11,880,000) respectively.

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2 Segmental analysis continued

Segment result

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Continuing operations		
Operating profit		
Foils Europe	389	857
Foils Americas	1,173	244
Holographics	1,615	567
Laminates	5,704	5,245
Segment result	8,881	6,913
Central costs	(2,003)	(1,719)
Total operating profit	6,878	5,194

Central costs comprise primarily of salaries, other employment costs and corporate advisory fees relating to the central management of the Group

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Assets		
Foils Europe	17,082	18,104
Foils Americas	13,552	14,385
Holographics	6,915	6,661
Laminates	13,276	11,637
Segment assets	50,825	50,787
Unallocated	15,825	10,209
	66,650	60,996

3 Operating profit

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
This is stated after charging/(crediting)		
Research and development expenditure expensed during the period	718	722
Depreciation of property, plant and equipment	2,367	2,942
(Profit)/loss on disposal of property, plant and equipment	(2)	28
Cost of inventories recognised as an expense	64,246	59,141
Including write-down of inventories to net realisable value	481	186
Net foreign currency differences	8	(48)
Operating lease payments — minimum lease payments	1,054	1,018
Audit of the financial statements	79	77
Other fees payable to the Group's Auditor		
— audit of the UK defined benefit pension scheme	5	5
— local statutory audits for subsidiaries	73	67
— other services	—	2
Costs associated with major flood at US factory (see below)	690	—
Insurance recovery in respect of the flood (see below)	(747)	—

In August 2011, the manufacturing facility in New Jersey, US, sustained significant damage due to flooding caused by Hurricane Irene. The costs relating to the damage have been recovered through insurance.

4 Staff costs and Directors' emoluments

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Wages and salaries	20,220	21,161
Social security costs	2,028	1,940
Defined contribution pension costs	701	710
	22,949	23,811

In 2011, staff costs included £1,109,000 in respect of discontinued activities.

Included in wages and salaries is a charge relating to share-based payments of £185,000 (2011: £239,000).

Details of share-based payments are included in Note 19.

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4 Staff costs and Directors' emoluments continued

The average monthly number of employees (excluding Non-executive Directors) during the period was made up as follows

	Year ended 31 March 2012 No	Year ended 31 March 2011 No
Foils Europe	189	190
Foils Americas	143	142
Holographics	101	89
Laminates	100	93
Central	7	7
Continuing operations	540	521
Discontinued operations	—	150
	540	671

Directors' emoluments

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Total		
Aggregate emoluments	765	786
Contributions to defined contribution schemes (2 Directors)	36	35
	801	821
Highest paid Director		
Aggregate emoluments	383	408
Contributions to defined contribution schemes	22	21
	405	429

None of the current Directors are members of the defined benefit pension scheme

Further details relating to Directors' emoluments are shown on pages 18 to 19

5 Finance revenue and finance costs

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Finance revenue		
Interest receivable on bank and other short term cash deposits	3	2
Other interest receivable	10	15
	13	17
Finance costs		
Interest payable on bank loans and overdrafts	(1,045)	(1,356)
Other interest payable	(49)	(24)
Finance cost in respect of defined benefit pension plans	(738)	(974)
	(1,832)	(2,354)

6 Taxation

(a) Tax (expensed)/credited in the income statement

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Continuing operations		
Current income tax		
UK Corporation tax	—	—
Overseas tax — current year expense	(101)	(135)
— adjustments in respect of prior years	(19)	(37)
Total current income tax expense	(120)	(172)
Deferred tax		
Origination and reversal of temporary differences		
— defined benefit pension plan	(209)	(17)
— tax losses	(174)	466
— capital allowances	448	(443)
— effect of change in tax rate	(50)	(99)
Total deferred tax (expense)/credit	15	(93)
Total tax expense in the income statement	(105)	(265)

(b) Tax expense on items accounted for through other comprehensive income

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Deferred tax		
Actuarial gains and losses on defined pension schemes	(78)	(1,845)
Change in fair value of effective cash flow hedges	(94)	—
Effect of change in tax rate	(247)	(259)
	(419)	(2,104)

(c) Tax credit on items accounted for directly through equity

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Deferred tax		
Share-based payments	87	—

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6 Taxation continued

(d) Reconciliation of the total tax charge

The tax rate in the income statement for the year is lower than the standard rate of corporation tax in the UK of 26% (2011 28%) The differences are reconciled below

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Profit before taxation from continuing operations	5,059	2,857
Loss before taxation from discontinued operations	—	(4,124)
Accounting profit/(loss) before income tax	5,059	(1,267)
Accounting profit/(loss) multiplied by the UK standard rate of corporation tax of 26% (2011 28%)	1,315	(355)
Adjustments to tax charge in respect of prior period	19	37
Adjustments in respect of foreign tax rates	22	18
Increase in deferred tax asset recognised on losses and capital allowances	(1,346)	(1,111)
Losses for which deferred tax is not recognised	43	2,131
Other temporary differences for which deferred tax is not recognised	(90)	196
Effect of change in tax rate	50	99
Expenses not deductible for tax purposes	92	154
Profit on sale of subsidiaries not subject to tax	—	(904)
Total tax expense reported in the income statement	105	265

(e) Unrecognised tax losses

The Group has unrecognised tax losses arising in the UK of £4,246,000 (2011 £3,355,000) 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 unrecognised capital allowances of £5,442,000 (2011 £8,677,000) available to offset against future taxable profits at the rate of 18% (2011 20%) a year on a reducing balance basis The Group has unrecognised US federal tax losses carried forward of \$12,584,000 (2011 \$15,124,000), which are available for offset against future profits for a period of between 10 and 20 years

(f) Deferred tax

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

	31 March 2012 £'000	31 March 2011 £'000
Deferred tax liability		
Revaluation of fixed assets	(220)	(238)
Fair value of cash flow hedges	(87)	—
	(307)	(238)
Deferred tax asset		
Defined benefit pension plans	2,068	2,527
Tax losses	1,736	2,036
Capital allowances	1,258	915
Share-based payments	168	—
	5,230	5,478

On 21 March 2012 the UK Government announced a reduction in the main rate of UK corporation tax rate to 24% with effect from 1 April 2012 This change became substantively enacted on 29 March 2012 and therefore the effect of the rate reduction creates a reduction in the total deferred tax asset which has been included in the figures shown above This change will also reduce the Group's future current tax charge accordingly The UK Government also proposed changes to further reduce the main rate of corporation tax by 1% per annum to 22% by 1 April 2014 The overall effect of the further reductions from 24% to 22%, if these applied to the total deferred tax balance at 31 March 2012, would be to reduce the deferred tax asset by approximately £297,000

7 Discontinued operations

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

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Revenue — External	—	7,425
— Intra-Group	—	619
	—	8,044
Cost of sales	—	(8,098)
Gross loss	—	(54)
Other operating costs	—	(1,311)
Operating loss before exceptional items	—	(1,365)
Exceptional items		
Impairment of property plant and equipment (see below)	—	(5,850)
Operating loss from discontinued operations	—	(7,215)
Finance costs	—	(138)
Loss on discontinued activities before taxation	—	(7,353)
Taxation	—	—
Loss on discontinued activities after taxation of China business	—	(7,353)
Profit on disposal of discontinued operations	—	3,229
Loss on discontinued operations per the Income Statement	—	(4,124)

Following the decision to exit the China business in September 2010, the carrying value of property, plant and equipment was impaired to bring the asset value down to the expected realisable proceeds from sale

The profit on disposal of discontinued operations was made up as follows

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Profit on disposal of China business	—	444
Exchange gains on translation relating to the China business transferred from the foreign exchange reserve	—	2,550
Profit on disposal of China business after transfer from foreign exchange reserve	—	2,994
Adjustment to prior year losses on disposal of discontinued businesses	—	235
	—	3,229

The adjustment to prior year losses on disposal of discontinued businesses in 2011 related to the reversal of accrued legal fees connected with a prior business disposal

Net cash flows relating to discontinued activities

The net cash flows attributable to discontinued operations were as follows

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Operating activities	—	783
Investing activities	—	1,477
Financing activities	—	(813)
	—	1,447

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8 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

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

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Profit attributable to equity holders of the Parent — continuing operations	4,954	2,592
Loss attributable to equity holders of the Parent — discontinued operations	—	(612)
Net profit attributable to equity holders of the Parent	4,954	1,980

	Year ended 31 March 2012 No	Year ended 31 March 2011 No
Basic weighted average number of ordinary shares	73,857,692	73,447,050
Dilutive effect of employee share options and contingent shares	3,974,702	2,443,955
Diluted weighted average number of shares	77,832,394	75,891,005

The basic weighted average number of shares excludes the 3,000,000 shares owned by the API Group plc No 2 Employee Benefit Trust (2011 3,058,221). These contingent shares are included in the diluted weighted average number of shares

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

Earnings/(loss) per ordinary share

	Year ended 31 March 2012 pence	Year ended 31 March 2011 pence
Continuing operations		
Basic earnings per share	6.7	3.5
Diluted earnings per share	6.4	3.4
Discontinued operations		
Basic loss per share	—	(0.8)
Diluted loss per share	—	(0.8)
Total		
Basic earnings per share	6.7	2.7
Diluted earnings per share	6.4	2.6

9 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 April 2010	2,265	8,054	10,030	59,824	6,861	87,034
Additions	—	14	—	950	189	1,153
Disposals	—	—	—	(86)	(370)	(456)
Disposal of subsidiary	—	—	(8,330)	(13,124)	—	(21,454)
Foreign currency adjustment	(107)	(391)	(7)	(736)	(120)	(1,361)
At 31 March 2011	2,158	7,677	1,693	46,828	6,560	64,916
Additions	—	—	—	3,230	258	3,488
Disposals	—	—	—	(565)	(145)	(710)
Foreign currency adjustment	6	23	—	6	(8)	27
At 31 March 2012	2,164	7,700	1,693	49,499	6,665	67,721
Depreciation						
At 1 April 2010	—	2,990	1,631	48,858	4,783	58,262
Provided during the year	—	226	240	1,956	520	2,942
Impairment during the period (see Note 7)	—	—	4,438	1,412	—	5,850
Disposals	—	—	—	(85)	(322)	(407)
Disposal of subsidiary	—	—	(5,442)	(12,220)	—	(17,662)
Foreign currency adjustment	—	(226)	(1)	(539)	(107)	(873)
At 31 March 2011	—	2,990	866	39,382	4,874	48,112
Provided during the year	—	203	57	1,636	471	2,367
Disposals	—	—	—	(561)	(145)	(706)
Foreign currency adjustment	—	13	—	3	(4)	12
At 31 March 2012	—	3,206	923	40,460	5,196	49,785
Net book value at 31 March 2012	2,164	4,494	770	9,039	1,469	17,936
Net book value at 31 March 2011	2,158	4,687	827	7,446	1,686	16,804
Net book value at 31 March 2010	2,265	5,064	8,399	10,966	2,078	28,772

Construction work-in-progress

Included in the cost of property, plant and equipment is £2,878,000 (2011 £168,000, 2010 £nil) relating to construction work-in-progress

Security

The Group's UK borrowings of £11,514,000 (2011 £10,196,000) are secured by fixed and floating charges on the UK assets of the Group including fixed assets to the value of £10,076,000 (2011 £8,397,000). The US loans of £887,000 (2011 £1,034,000) are pledged against property, plant and equipment to the value of £5,598,000 (2011 £6,184,000).

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10 Intangible assets — goodwill

	£'000
Cost	
At 31 March 2010	6,480
Disposal of cash generating unit (Foils — China)	(1,292)
At 31 March 2011 and 31 March 2012	5,188
Impairment	
At 31 March 2010	1,292
Disposal of cash generating unit (Foils — China)	(1,292)
At 31 March 2011 and 31 March 2012	—
Carrying value	
At 31 March 2010, 31 March 2011 and 31 March 2012	5,188

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

Carrying amount of goodwill allocated to cash generating units

	£'000
Foils Europe — UK	2,538
Foils Europe — Germany	964
Holographics	1,686
At 31 March 2010, 31 March 2011 and 31 March 2012	5,188

11 Impairment of non-financial assets

The Directors have reviewed impairment tests at 31 March 2012 for cash generating units that have a goodwill allocation and for any of these units or other units in the Group that have indicators of impairment of property, plant and equipment

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

- Foils Europe — UK,
- Foils Europe — Germany, and
- Holographics

These represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The value of goodwill allocated to these units is listed in Note 10

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 pre-tax cash flows based on budgets for the year ended 31 March 2013 and forecasts for the following 3 years which have been approved by the Board. The cash flows were derived from business plans, including detailed sales forecasts by product type and geography, prepared by individual businesses within each division. These include an allowance for detailed capital and maintenance programmes. The cash flows have been extrapolated for a period of 15 years using the key assumptions of long term growth rates of 3% to 3.5% (2011: 3% to 3.5%) and cost inflation of 2% to 3% (2011: 2% to 3%) applicable to the location of each cash generating unit. A pre-tax discount rate of 8.5% (2011: 8.8%) has been used, which was considered a best estimate for the risk-adjusted cost of capital for the Group.

The Directors believe that no reasonable 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 2012 £'000	31 March 2011 £'000
Amounts falling due within one year		
Trade receivables	13,774	14,928
Prepayments	1,201	1,298
Other debtors	510	622
	15,485	16,848
Amounts falling due after more than one year		
Other debtors	32	94

Trade receivables are non-interest bearing and are generally on between 30 and 90 days' terms. They are shown net of any provisions for impairment. At 31 March 2012, trade receivables at a nominal value of £161,000 (2011: £179,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	31 March 2012 £'000	31 March 2011 £'000
Opening provision	179	384
Charge for the year	42	12
Amounts written off	(53)	(55)
Unused amounts reversed	(5)	(11)
Disposal of subsidiary	—	(144)
Foreign currency adjustment	(2)	(7)
Closing provision	161	179

Of the total trade receivables shown above, £1,271,000 (2011: £1,279,000) are past due, but not impaired. An analysis of these trade receivables is as follows:

	31 March 2012 £'000	31 March 2011 £'000
0–30 days overdue	984	666
31–60 days overdue	180	356
61–90 days overdue	89	109
91+ days overdue	18	148
	1,271	1,279

Due to the nature and number of the Group's customers, it is not practical to analyse the credit quality of trade receivables that are neither past due nor impaired. Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed. Customers are assessed for financial reliability using external rating agencies. Secure payment terms are frequently used in riskier geographical areas or for riskier customers. In determining the level of credit insurance placed, the Group continually monitors the market to assess the cost of premiums compared to the credit risks associated with different market and product sectors. At 31 March 2012, the maximum exposure to credit risk in respect of trade receivables, after taking account of credit insurance, was £7,063,000 (2011: £7,314,000).

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13 Inventories

	31 March 2012 £'000	31 March 2011 £'000
Raw materials	3,732	4,324
Work in progress	1,322	1,358
Finished goods	7,183	6,727
	12,237	12,409

14 Cash and cash equivalents

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

	31 March 2012 £'000	31 March 2011 £'000
Short term deposits	6,000	—
Cash at bank and in hand	4,068	4,175
Cash and short term deposits	10,068	4,175
Bank overdrafts (Note 16)	(1,246)	(1,456)
	8,822	2,719

Cash at bank and on deposit are held at major banks with high quality credit ratings. The maximum exposure to credit risk is represented by their respective carrying values.

15 Trade and other payables

	31 March 2012 £'000	31 March 2011 £'000
Trade payables	16,477	16,868
Other payables	5,784	5,084
	22,261	21,952

16 Financial liabilities

	31 March 2012 £'000	31 March 2011 £'000
Current		
Bank overdrafts	1,246	1,456
Current instalments due on bank loans	3,196	779
Interest rate swaps	80	97
Forward foreign exchange contracts	—	498
	4,522	2,830
Non-current		
Non-current instalments due on bank loans	9,205	10,451
Interest rate swaps	32	63
	9,237	10,514

In the UK, the Group has taken out an interest rate swap for the period 2 August 2010 to 1 November 2012 for a fixed amount of £5m. In the US, interest rate swaps have been taken out for the period 1 July 2010 to 30 October 2013 for fixed and amortising amounts totalling \$3.0m at 31 March 2012 (2011: \$3.3m). Details of these swaps are given in Note 21.

Bank loans

Bank loans comprise the following

	31 March 2012 £'000	31 March 2011 £'000
Term loans (UK)	11,514	10,196
Term loans (US)	887	1,034
	12,401	11,230
Less: current instalments due on bank loans	(3,196)	(779)
	9,205	10,451

The Group's banking facilities comprise

UK facilities

The Group's lending arrangements in the UK are with Barclays Bank PLC. At 31 March 2012, UK facilities comprised a term loan of £5.7m repayable between April 2012 and July 2013 (2011: £6.4m repayable between April 2011 and July 2013) and a term loan of £3.8m repayable in July 2013 (2011: £3.8m repayable in July 2013). During the year, a new loan of £2.0m was negotiated, repayable between June 2012 and April 2013. In addition, there is a multi-option overdraft facility of £5.0m (2011: £3.5m). Interest cost for the period averaged 3.4% (2011: 5.0%) above LIBOR for term loans and 3.3% (2011: 3.6%) above Base Rate for the overdraft. The total debt under committed and revolving facilities is subject to four quarterly financial covenant targets reflecting the financial performance of the Group excluding the impact of the Foils Americas business unit. Covenants are for Debt Cover, Total Service Payments Cover, Senior Interest Cover and Tangible Net Worth. At 31 March 2012, Debt Cover, the ratio of net debt to 12 month trailing EBITDA, was 0.3x (2011: 1.0x) and this and all other covenant ratios were comfortably within targets.

US facilities

The US facilities are with Wells Fargo. At 31 March 2012, they comprised amortising loans of \$1.5m repayable between April 2012 and October 2013 (2011: \$1.8m repayable between April 2011 and October 2013) and a revolving credit facility of up to \$5.5m (2011: \$5.5m), depending on the level of working capital. Interest cost for the period averaged 4.5% (2011: 4.5%) above LIBOR for the term loans and 3.8% (2011: 3.8%) above LIBOR for the credit facility. The total debt outstanding is subject to quarterly covenant obligations relating to profitability, net worth and cash flow. During the year to 31 March 2012, the US business met all its covenant obligations. The US facilities are secured on working capital to the value of £5,823,000 (2011: £6,040,000).

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17 Pensions and other post-retirement benefits

The Group operates a number of pension schemes. Current UK employees participate in a defined contribution scheme. Overseas employees participate in a variety of different pension arrangements of the defined contribution type and are funded in accordance with local practice. A non-contributory scheme is operated for members of the North New Jersey Teamsters 11 Union employed at the Company's site in Rahway, New Jersey. This scheme is a multi-employer defined benefit scheme which is accounted for as a defined contribution scheme, as the information available from the scheme administrators is insufficient for it to be accounted for as a defined benefit scheme. Under the rules of the scheme the employer is not liable for any deficit of the scheme unless it withdraws from the scheme.

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

The assets and liabilities of the defined benefit schemes are:

At 31 March 2012

	United Kingdom £'000	United States £'000	Total £'000
Equities	34,508	778	35,286
Bonds	21,174	920	22,094
Hedge Funds	10,624	—	10,624
Property	—	71	71
Cash	6,960	—	6,960
Fair value of scheme assets	73,266	1,769	75,035
Present value of scheme liabilities	(80,821)	(2,832)	(83,653)
Net pension liability	(7,555)	(1,063)	(8,618)

At 31 March 2011

	United Kingdom £'000	United States £'000	Total £'000
Equities	42,347	772	43,119
Bonds	28,327	951	29,278
Property	—	72	72
Cash	139	—	139
Fair value of scheme assets	70,813	1,795	72,608
Present value of scheme liabilities	(79,843)	(2,484)	(82,327)
Net pension liability	(9,030)	(689)	(9,719)

17 Pensions and other post-retirement benefits continued

The amounts recognised in the Group Income Statement and Group Statement of Comprehensive Income for the year are as follows

Year ended 31 March 2012

	United Kingdom £'000	United States £'000	Total £'000
Recognised in the Income Statement			
Recognised in arriving at operating profit	—	—	—
Expected return on scheme assets	(4,397)	(119)	(4,516)
Interest cost on scheme liabilities	4,351	119	4,470
Scheme expenses borne by employers	784	—	784
Other finance cost	738	—	738
Taken to the Statement of Comprehensive Income			
Actual return on scheme assets	4,641	56	4,697
Less expected return on scheme assets	(4,397)	(119)	(4,516)
	244	(63)	181
Other actuarial gains and losses	485	(366)	119
Actuarial gains and losses recognised in the Statement of Comprehensive Income	729	(429)	300

Year ended 31 March 2011

	United Kingdom £'000	United States £'000	Total £'000
Recognised in the Income Statement			
Recognised in arriving at operating profit	—	—	—
Expected return on scheme assets	(4,273)	(128)	(4,401)
Interest cost on scheme liabilities	4,662	129	4,791
Scheme expenses borne by employers	584	—	584
Other finance cost	973	1	974
Taken to the Statement of Comprehensive Income			
Actual return on scheme assets	4,960	163	5,123
Less expected return on scheme assets	(4,273)	(128)	(4,401)
	687	35	722
Other actuarial gains and losses	5,993	(129)	5,864
Actuarial gains and losses recognised in the Statement of Comprehensive Income	6,680	(94)	6 586

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17 Pensions and other post-retirement benefits continued

The major assumptions used in determining the value of the defined benefit schemes are disclosed below

	United Kingdom		United States	
	31 March	31 March	31 March	31 March
	2012	2011	2012	2011
	%	%	%	%
Rate of increase in pensions in payment	2.20	2.50		
Rate of increase to deferred pensions	2.20	2.50		
Inflation	2.20	2.50	3.00	3.00
Discount rate	4.85	5.55	4.50	5.00
Expected rates of return on scheme assets	5.20	6.32	6.75	7.50
Equities	6.05	7.30		
Bonds	4.00	4.85		
Hedge Funds	6.05	n/a		
Cash	0.50	0.50		
Post-retirement mortality (in years)				
Current pensioners at 65 — male	20.3	20.0		
Current pensioners at 65 — female	22.3	22.1		
Future pensioners at 65 — male	22.0	21.8		
Future pensioners at 65 — female	24.3	24.1		

These assumptions have been selected after consultation with the Group's UK pension advisers, KPMG LLP and the Group's US actuaries, Prudential Retirement

The rate of increase in pensions and the inflation rate assumptions in the UK are based on statistics published by the Bank of England for long term estimates of the Retail Price Index ("RPI"). At 31 March 2012, the relevant inflation rate based on the RPI for the duration of the UK Scheme was 3.2% (2011: 3.5%). The statutory basis of indexation used by the Scheme is based on the Cost Price Index ("CPI"). It is estimated that the long term CPI is approximately 1.0% (2011: 1.0%) lower than the RPI. A 0.1% variation in the inflation rate would result in a change in the present value of the scheme liabilities of approximately £0.9m (2011: £0.9m).

The discount rate for the UK scheme has been set by reference to the iBoxx AA corporate bond 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 £1.4m (2011: £1.4m).

In the UK, the mortality assumptions for both the current and previous years are based on nationally published tables using 130% of the S1P*A YoB CMI 2009 model with 1.25% long term rate of improvement. In the US, mortality assumptions are in accordance with the IRS Static Mortality tables for the relevant year.

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.

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. The agreed contributions for the year ended 31 March 2013 are £700,000.

17 Pensions and other post-retirement benefits continued

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

	United Kingdom £'000	United States £'000	Total £'000
At 1 April 2010	83,863	2,464	86,327
Interest cost	4,662	129	4,791
Benefits paid	(2,689)	(102)	(2,791)
Actuarial gains and losses	(5,993)	129	(5,864)
Foreign currency differences	—	(136)	(136)
At 31 March 2011	79,843	2,484	82,327
Interest cost	4,351	119	4,470
Benefits paid	(2,888)	(146)	(3,034)
Actuarial gains and losses	(485)	366	(119)
Foreign currency differences	—	9	9
At 31 March 2012	80,821	2,832	83,653

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

	United Kingdom £'000	United States £'000	Total £ 000
At 1 April 2010	68,142	1,779	69,921
Expected return on plan assets	4,273	128	4,401
Employer contributions	400	51	451
Benefits paid	(2,689)	(102)	(2,791)
Actuarial gains and losses	687	35	722
Foreign currency differences	—	(96)	(96)
At 31 March 2011	70,813	1,795	72,608
Expected return on plan assets	4,397	119	4,516
Employer contributions	700	58	758
Benefits paid	(2,888)	(146)	(3,034)
Actuarial gains and losses	244	(63)	181
Foreign currency differences	—	6	6
At 31 March 2012	73,266	1,769	75,035

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17 Pensions and other post-retirement benefits continued

History of experience gains and losses

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000	Eighteen months ended 31 March 2008 £'000
United Kingdom					
Fair value of scheme assets	73,266	70,813	68,142	55,312	64,851
Present value of defined benefit obligation	(80,821)	(79,843)	(83,863)	(61,630)	(68,178)
Deficit in the scheme	(7,555)	(9,030)	(15,721)	(6,318)	(3,327)
Experience adjustments arising on plan liabilities	7,033	—	(100)	395	2,926
Experience adjustments arising on plan assets	244	687	12,772	(11,289)	(3,191)
United States					
Fair value of scheme assets	1,769	1,795	1,779	1,447	1,459
Present value of defined benefit obligation	(2,832)	(2,484)	(2,464)	(2,210)	(1,614)
Deficit in the scheme	(1,063)	(689)	(685)	(763)	(155)
Experience adjustments arising on plan liabilities	40	(5)	(74)	24	(14)
Experience adjustments arising on plan assets	(63)	35	298	(536)	(80)

The cumulative amount of actuarial gains recognised since 1 October 2004 in the Group Statement of Comprehensive Income is £421,000 (2011 £121,000). 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 Comprehensive Income before 1 October 2004.

18 Share capital

Allotted, called up and fully paid

	31 March 2012 thousands	31 March 2011 thousands	31 March 2012 £'000	31 March 2011 £'000
Ordinary shares of 1p	76,749	76,633	767	766

On 12 December 2011 115,668 shares of 1p were issued at par for a consideration of £1,000. These shares were acquired by the Company and transferred to an employee in respect of the exercise of nil cost share options.

In the year ended 31 March 2011, 3,000,000 shares were issued to the API Group plc No 2 Employee Benefit Trust for a consideration of £30,000 and 3,506,336 shares were issued to Barclays Bank PLC in respect of the exercise of warrants for a consideration of £35,000.

During the current and previous years, no options were granted over the ordinary shares. Full exercise of the options granted under the Company's share option schemes would result in the issue, not later than September 2018, of nil shares (2011 45,000 shares) at 65 p and 614,250 shares (2011 1,669,273 shares) at nil cost.

Capital Management

The primary purpose of the Group's capital management is to ensure the maintenance of healthy capital ratios in order to support day-to-day business operations and the achievement of strategic objectives. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the financial position of the Group. Capital, which comprises total equity, is monitored using normal financial ratios, primarily gearing for the Group overall and a debt cover ratio associated with the main bank facilities in the UK. The ratios at 31 March 2012 are disclosed in the Business Review on pages 7 to 11.

19 Share-based payments

During the year, an amount of £185,000 was charged to the income statement (2011 £239,000) in respect of share-based payments. This comprises £17,000 (2011 £175,000) in respect of share options and £168,000 (2011 £64,000) in respect of contingent shares under the Long Term Incentive Plan. All share-based payment plans are equity-settled.

Share Options

Share options remaining in place at 31 March 2012 are nil cost options which are all exercisable. The ability to exercise these options was conditional on the attainment of specified performance targets based on profits before tax over a three year performance period. The options lapse if they are not exercised within ten years of the date of grant.

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

	31 March 2012		31 March 2011	
	No	WAEP (p)	No	WAEP (p)
Outstanding at beginning of year	1,714,273	1.7	3,049,008	1.0
Granted during the year	—	—	—	—
Exercised during the year	(208,632)	—	—	—
Surrendered during the year	—	—	(772,093)	—
Forfeited during the year	—	—	(377,267)	—
Expired during the year	(891,391)	(3.3)	(185,375)	—
Outstanding at end of year	614,250	—	1,714,273	1.7
Exercisable at end of year	614,250	—	45,000	65.5

The weighted average share price of shares exercised at the date of exercise was 38.9p.

For share options outstanding at the end of the year, the weighted average remaining contractual life is 6.1 years (2011 7.1 years).

Long Term Incentive Plan

In the previous year, the two Executive Directors (Andrew Turner and Chris Smith) entered into a long term incentive plan ("LTIP") covering the period 1 April 2011 to 31 March 2015 under which they were granted a single award of up to 3,000,000 contingent shares for a five year term. Under the terms of the LTIP, 3,000,000 ordinary shares of 1p ("Shares") were issued to the API Group plc No 2 Employee Benefit Trust (the "Trust"). The fair value of these awards is 16.0p.

The Executive Directors will be entitled to earn Shares following the financial years ending 31 March 2012, 2013, 2014 and 2015 based on a set of performance criteria reflecting increases in Shareholder value. The maximum number of Shares available on each occasion will be unrestricted, subject to the overall limit of the size of the award for the five year period. Any earned entitlement will be satisfied by transferring Shares, at nil cost, from the Trust to the Directors. At the end of the performance period, residual, unearned Shares will remain in the Trust and will be available for use under a successor LTIP or any other employee benefit scheme.

There were no movements regarding the LTIP during the year ended 31 March 2012. There are 3,000,000 Shares held in the Trust which can potentially be transferred to the Directors under the LTIP.

Following the financial year ended 31 March 2012, the Remuneration Committee has determined, in accordance with the scheme rules and based on the performance criteria reflecting increases in Shareholder value, that 963,093 of the contingent shares held by the Executive Directors in the Company's ordinary shares of 1p had vested.

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20 Reserves

Other reserves

Other reserves of £8,816,000 (2011 £8,565,000) comprise the capital redemption reserve £8,846,000 and a deficit of £30,000 (2011 £281,000) in the ESOP reserve

The capital redemption reserve arose from the cancellation of 549,000 preference shares of £1 each in March 1999 and the cancellation of 34,570,000 deferred shares of 24p (£8,297,000) in the year ended 31 March 2009

The ESOP reserve relates to shares held by the API Group plc No 2 Employee Benefit Trust (the "Trust"), established in 1997 to facilitate the operation of the Company's Executive share schemes. At 31 March 2011 the trust held 58,221 shares acquired at an average cost of £4.27 and 3,000,000 shares acquired at par value of 1p. During the year to 31 March 2012, the trust acquired 34,743 shares for a consideration of £11,000. Subsequently, 92,964 shares were transferred to an employee in respect of the exercise of nil cost options. At 31 March 2012 the trust held 3,000,000 shares at an average cost of £0.01 per share and a total cost of £30,000 (2011 3,058,221 shares at an average cost of £0.09 per share and a total cost of £281,000).

Foreign exchange reserve

The foreign exchange reserve of £255,000 (2011 £259,000) 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.

21 Financial instruments

Details of the treasury operations and funding of the Group are described in the Business Review on pages 7 to 11.

Liquidity profile

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

At 31 March 2012

	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
Non-derivative financial liabilities	4,688	9,258	—	13,946
Interest on financial liabilities	455	120	—	575
Trade and other payables	21,562	—	—	21,562
Interest rate swaps	80	32	—	112
Forward foreign exchange contracts				
Payable	19,454	4,397	—	23,851
Receivable	(19,922)	(4,403)	—	(24,325)

At 31 March 2011

	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
Non-derivative financial liabilities	2,448	1,942	8,754	13,144
Interest on financial liabilities	539	515	144	1,198
Trade and other payables	21,194	—	—	21,194
Interest rate swaps	97	60	3	160
Forward foreign exchange contracts				
Payable	13,991	—	—	13,991
Receivable	(13,493)	—	—	(13,493)

21 Financial instruments continued**Fair values of financial assets and liabilities**

The fair values of financial assets and liabilities are determined to be equivalent to their book values. The Group uses a fair value hierarchy for determining and disclosing the fair values of financial instruments by valuation technique, in accordance with IFRS 7. All of the financial instruments held by the Group are included in the Level 2 hierarchy – other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Credit risk

The Group's credit risk relates to cash at bank and on deposit and trade receivables. Details are disclosed in Notes 12 and 14 respectively.

Equity price risk

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

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 in interest rate	Effect on profit before tax £'000
2012	+1%	(67)
2011	+1%	(59)

Foreign currency risk

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

	Increase/ decrease in Sterling vs US Dollar/Euro	Effect on profit before tax £'000	Effect on equity £'000
2012			
US Dollar/Sterling	+10%	54	(17)
	-10%	(59)	19
Euro/Sterling	+10%	22	1,878
	-10%	(24)	(2,074)
2011			
US Dollar/Sterling	+10%	27	27
	-10%	(30)	(30)
Euro/Sterling	+10%	(82)	961
	-10%	90	(1,057)

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

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21 Financial instruments continued

Hedges

Cash flow hedges

Interest rate

The Group has taken out interest rate swaps to hedge the exposure to changes in interest rates in both the UK and US. In the UK, the Group has taken out a fixed value interest rate swap of £5.0m (2011: £5.0m) for the period 2 August 2011 to 1 November 2012, whereby it receives a variable rate based on 1 month LIBOR and pays a fixed rate of 2.96%. At 31 March 2012, this swap had a negative fair value of £76,000 (2011: £141,000). In the US, amortising interest rate swaps were taken out for the period 1 July 2011 to 30 October 2013 in respect of 100% of the US term loans, amortising at the same rate as the loans. At 31 March 2012, the notional amount of these swaps was \$1.5m (2011: \$1.8m). A fixed value swap of \$1.5m was also taken out for the same period as a hedge against the revolving credit facility. The Group receives a variable rate based on 1 month LIBOR on the US swaps and pays a fixed rate of 1.73%. At 31 March 2012, these swaps had a negative value of £36,000 (2011: £20,000). These hedges are fully effective and, consequently, the full amounts of the changes in fair value have been shown in the Statement of Comprehensive Income. The total loss recognised in other comprehensive income in respect of interest rate swaps was £92,000 (2011: £95,000). A charge of £141,000 (2011: £186,000) was recycled from other comprehensive income to the income statement.

Forward foreign exchange contracts

The Group has taken out foreign currency forward contracts in order to hedge the value of future sales denominated in Euros to the value of €26.1m (2011: €13.0m), future purchases denominated in US Dollars to the value of \$1.3m (2011: nil) and future capital expenditure commitments denominated in Euros to the value of €1.6m (2011: nil). These contracts have maturity dates extending to 30 June 2013 (2011: 31 March 2012). The contracts had a positive value of £469,000 at 31 March 2012 (2011: negative value of £420,000). These hedges are fully effective and, consequently, the full amounts of the changes in fair value have been shown in the Statement of Comprehensive Income. The total gain recognised in other comprehensive income in respect of foreign exchange contracts is £721,000 (2011: loss of £284,000). A charge of £168,000 (2011: credit of £136,000) was recycled from other comprehensive income to the income statement.

Fair value hedges

The Group has also taken out foreign currency forward contracts in order to hedge the value of trade debtors, net of trade creditors, denominated in Euros. Any profit or loss arising on these contracts is posted directly to the income statement. At 31 March 2012, there were forward contracts in place in respect of fair value hedges to buy Sterling and sell Euros to the value of €2.3m (2011: €2.9m). These contracts had a positive fair value of £5,000 at 31 March 2012 (2011: negative value of £78,000). Gains on fair value hedges amounting to £149,000 (2011: losses of £56,000) are included in the amounts disclosed for net foreign currency differences in Note 3.

22 Capital commitments

	31 March 2012 £'000	31 March 2011 £'000
Contracted amounts not provided for in these accounts	1,969	3

23 Obligations under leases and hire purchase contracts

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

	31 March 2012 £'000	31 March 2011 £'000
Not later than one year	804	779
After one year but not more than five years	1,091	1,322
After five years	1,463	1,474
	3,358	3,575

These commitments include £1,635,000 (2011 £1,673,000) in respect of annual payments of £38,000 relating to a long lease which expires in 2055. The remaining commitments relate to short term leases of no more than 6 years, mostly in respect of land and buildings.

24 Related party transactions**Compensation of key management personnel**

The key management personnel comprise the 2 Executive Directors (2011: 2) and the Managing Directors of the business units. Following the reorganisation of the business segments, the number of Managing Directors has increased from 3 to 4.

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Short term employee benefits	1,413	1,371
Post-employment benefits	52	49
Termination benefits	—	154
Share-based payments	185	239
	1,650	1,813

Directors' Responsibilities Statement

The Directors are responsible for preparing the Directors' 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). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 accounting 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 and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 2012 which comprise the Parent Company Balance Sheet and the related Notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 58, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Parent Company's affairs as at 31 March 2012,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of API Group plc for the year ended 31 March 2012.

Ernst & Young LLP
Colin Brown
(Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP
Statutory Auditor
Manchester
28 May 2012

Company Balance Sheet

at 31 March 2012

	Note	31 March 2012 £'000	31 March 2011 £'000
Fixed assets			
Investments	2	29,113	6,511
Current assets			
Debtors (greater than 1 year)	3	33,073	30,365
Cash at bank and in hand		750	333
		33,823	30,698
Creditors — amounts falling due within one year	4	(26,468)	(1,161)
Net current assets		7,355	29,537
Total assets less current liabilities		36,468	36,048
Creditors — amounts falling due after more than one year	5	(8,299)	(9,565)
		28,169	26,483
Share capital and reserves			
Called up share capital	6	767	766
Share premium account	7	7,136	7,136
Other reserves	7	8,816	8,565
Profit and loss account	7	11,450	10,016
Equity Shareholders' funds		28,169	26,483

Signed on behalf of the Board

Andrew Turner

Director

28 May 2012

Company number 169249

Notes to the Company Financial Statements

1 Accounting policies

Accounting convention

The Company's financial statements have been prepared under the historical cost convention in accordance with UK GAAP and with the Companies Act 2006

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual profit and loss account and related notes

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

Investments in and loans due from subsidiaries

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

Deferred tax

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, and
- 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, a defined benefit pension scheme, the API Group Pension and Life Assurance Scheme was closed to future accrual in December 2008. This was a funded pension scheme for the Company and its UK subsidiaries providing benefits based on final pensionable earnings, funded by the payment of contributions to a separately administered trust fund. The defined benefit scheme is 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

Notes to the Company Financial Statements

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1 Accounting policies continued

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.

The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings are recorded as an increase in its investment in subsidiaries with a credit to equity equivalent to the cost in the subsidiary undertakings.

Employee Benefit Trust (the "Trust")

The Company has a discretionary trust established to facilitate the operation of the Company Executive share option schemes and long term incentive plans. Shares in API Group plc held by the Trust are deducted from equity as treasury shares 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.

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 21 to the Group's financial statements. Accordingly the exemption under paragraph 2D(b) of FRS 29 from disclosing the details in the Company financial statements has been applied.

Leases

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

2 Investments

Subsidiary undertakings

	£'000
Cost	
At 31 March 2011	6,511
Additions	22,602
At 31 March 2012	29,113

Additions to investments comprise the cost of subscriptions to share capital in subsidiary companies

Details of the principal investments of the Company are as follows

Name of company	Country of incorporation	Holding
API Laminates Limited +	UK	Ordinary shares
API Foils Holdings Limited #	UK	Ordinary shares
API Foils Limited *+	UK	Ordinary shares
API Holographics Limited *+	UK	Ordinary shares
API Overseas Holdings Limited *#	UK	Ordinary shares
API Group Services Limited ¹	UK	Ordinary shares
API-Stace Limited ²	UK	Ordinary shares
API (USA) Holdings Limited *#	USA	Common and preferred stocks
API Foils, Inc *+	USA	Common and preferred stocks
API Foils SAS *+	France	Ordinary shares
API Foils Pty Limited *+	Australia	Ordinary shares
API Foils New Zealand Limited *+	New Zealand	Ordinary shares
API Foils Deutschland GmbH *+	Germany	Ordinary shares
API Foils Italia srl *+	Italy	Ordinary shares
API Foils (Asia) Limited +	Hong Kong	Ordinary shares
API Folie Polska Sp z o o +	Poland	Ordinary shares

- Held by subsidiary undertaking
- + Operating company
- # Intermediate holding company
- ¹ Group management company
- ² Property holding company

The Company controls 100% of the voting rights and shares capital of all the above subsidiary companies

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

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3 Debtors

	31 March 2012 £'000	31 March 2011 £'000
Amounts falling due after more than one year		
Amounts due from subsidiary undertakings	33,073	30,365

Amounts due from subsidiary undertakings are stated after an impairment provision of £34,000,000 (2011 £34,000,000)

4 Creditors — amounts falling due within one year

	31 March 2012 £'000	31 March 2011 £'000
Current instalments on bank loans	3,215	631
Corporation tax	600	489
Amounts due to subsidiary undertakings	22,600	—
Accruals	53	41
	26,468	1,161

Corporation tax represents group relief payable

5 Creditors — amounts falling due after more than one year

	31 March 2012 £'000	31 March 2011 £'000
Bank loans	8,299	9,565

6 Share capital

Allotted, called up and fully paid

	31 March 2012 thousands	31 March 2011 thousands	31 March 2012 £'000	31 March 2011 £'000
Ordinary shares of 1p	76,749	76,633	767	766

On 12 December 2011, 115,668 shares of 1p were issued at par for a consideration of £1,000. These shares were acquired by the Company and transferred to an employee in respect of the exercise of nil cost share options.

In the year ended 31 March 2011, 3,000,000 shares were issued to the API Group plc No 2 Employee Benefit Trust for a consideration of £30,000 and 3,506,336 shares were issued to Barclays Bank plc in respect of the exercise of warrants for a consideration of £35,000.

During the current and previous years, no options were granted over the ordinary shares. Full exercise of the options granted under the Company's share option schemes would result in the issue, not later than September 2018, of nil shares (2011 45,000 shares) at 65.5p and 614,250 shares (2011 1,669,273 shares) at nil cost.

Details relating to share options are summarised in Notes 18 and 19 to the consolidated financial statements.

7 Reconciliation of Movements on Equity

	Equity share capital £'000	Share premium £'000	Other reserves £'000	Profit and loss Account £'000	Shareholders' equity £'000
Balance at 31 March 2011	766	7,136	8,565	10,016	26,483
Issue of shares	1	—	—	—	1
Shares acquired by the Company	—	—	—	(1)	(1)
Shares acquired by Employee Benefit Trust	—	—	(11)	—	(11)
Transferred on exercise of share options	—	—	262	(262)	—
Share-based payments	—	—	—	185	185
Balance from profit and loss account	—	—	—	1,512	1,512
Balance at 31 March 2012	767	7,136	8,816	11,450	28,169

Other reserves

Other reserves comprise the capital redemption reserve £8,846,000 and a deficit of £30,000 (2011 £281,000) in the ESOP reserve

The capital redemption reserve arose from the cancellation of 549,000 preference shares of £1 each in March 1999 and the cancellation of 34,570,000 deferred shares of 24p (£8,297,000) in the year ended 31 March 2009

The ESOP reserve relates to shares held by the API Group plc No 2 Employee Benefit Trust (the "Trust"), established in 1997 to facilitate the operation of the Company's Executive share schemes. At 31 March 2011 the trust held 58,221 shares acquired at an average cost of £4.27 and 3,000,000 shares acquired at par value of 1p. During the year to 31 March 2012, the trust acquired 34,743 shares for a consideration of £11,000. Subsequently, 92,964 shares were transferred to an employee in respect of the exercise of nil cost options. At 31 March 2012 the trust held 3,000,000 shares at an average cost of £0.01 per share and a total cost of £30,000 (2011 3,058,221 shares at an average cost of £0.09 per share and a total cost of £281,000).

8 Profit attributable to members of the Parent Company

A profit of £1,512,000 for the year ended 31 March 2012 (2011 £1,305,000) has been dealt with in the accounts of the Parent Company. As permitted by section 408 of the Companies Act 2006 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 (2011 £5,000).

9 Contingent liabilities

The Company is party to a composite banking agreement providing unlimited guarantees between the Company and its UK subsidiaries. At 31 March 2012, the Group's UK bank facilities totalled £8.2m (2011 £6.9m).

10 Related party transactions

In accordance with paragraph 3(c) of FRS 8, the Company has taken advantage of the exemption not to disclose related party transactions with wholly owned subsidiaries.

Financial Record

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000	Eighteen months ended 31 March 2008 £'000
Continuing operations					
Revenue	113,935	99,963	79,192	87,411	132,906
Operating profit before exceptional items	6,878	5,194	3,266	2,723	592
Exceptional items	—	—	(626)	(546)	(3,655)
Operating profit/(loss)	6,878	5,194	2,640	2,177	(3,063)
Net finance costs	(1,819)	(2,337)	(2,978)	(2,425)	(4,075)
Profit/(loss) before taxation	5,059	2,857	(338)	(248)	(7,138)
Tax (expense)/credit	(105)	(265)	2,804	(967)	488
Profit/(loss) from continuing operations	4,954	2,592	2,466	(1,215)	(6,650)
Discontinued operations					
Loss from discontinued operations	—	(4,124)	(4,358)	(2,169)	(1,208)
Profit/(loss) for the year	4,954	(1,532)	(1,892)	(3,384)	(7,858)
Attributable to					
Profit/(loss) attributable to equity holders of the Parent	4,954	1,980	124	(3,861)	(7,995)
(Loss)/profit attributable to non-controlling equity interest	—	(3,512)	(2,016)	477	137
Total profit/(loss) for the year	4,954	(1,532)	(1,892)	(3,384)	(7,858)

The comparative figures above have been restated to reflect the presentation of the results of the China business, which was sold in the year ended 31 March 2011, as a discontinued operation

Basic earnings/(loss) per ordinary share (pence)

From continuing operations	6.7	3.5	3.4	(1.7)	(15.5)
From total operations	6.7	2.7	0.2	(5.3)	(18.6)

The weighted average number of shares in the previous periods has been adjusted to reflect the exercise of warrants at below market price

Net debt (£'000)	(3,587)	(8,511)	(18,527)	(14,692)	(17,149)
Gearing (%)	17%	56%	107%	56%	62%
Average number of employees — all businesses	540	671	691	789	899

Financial Calendar

Annual General Meeting

To be held at 10 am, 19 July 2012 at the Royal Thames Yacht Club, Knightsbridge, London, SW1X 7LF

Reports

Interim Results Announcement for 6 months to 30 September 2012 issued November 2012

Interim Report for 6 months to 30 September 2012 circulated December 2012

Final Results Announcement for the year ended 31 March 2013 issued June 2013

Report and Accounts for the year ended 31 March 2013 circulated June 2013

Capital Gains Tax

The market value of an ordinary share on 31 March 1982 was 60 5p

Our Business

Our Governance

Our Financials

Advisers

Registrars and Transfer Agents

Capita IRG Plc, Bourne House
34 Beckenham Road, Beckenham, Kent, BR3 4TU

Broker

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

Financial PR

Abchurch Communications Limited
125 Old Broad Street
London, EC2N 1AR

Bankers

Barclays Bank PLC, 1st Floor, 3 Hardman Street, Spinningfields
Manchester, M3 3HF

Auditors

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

Solicitors

Eversheds LLP
Eversheds House
70-76 Great Bridgewater Street, Manchester, M1 5ES

Nominated Adviser

Cairn Financial Advisers LLP
61 Cheapside, London, EC2V 6AX

Foils

Manufacturing & Distribution

Livingston, UK
API Foils Limited
Firth Road,
Houstoun Industrial Estate
Livingston, West Lothian
EH54 5DJ
Tel +44 (0) 1506 438611

Kansas, USA
API Foils Inc
3841 Greenway Circle,
Lawrence
Kansas 66046
Tel +1 785 842 7674

New Jersey, USA
API Foils Inc
329 New Brunswick Avenue,
Rahway
New Jersey 07065
Tel +1 732 382 6800

Laminates

Manufacturing & Distribution

Poynton, UK
API Laminates Limited
Second Avenue
Poynton Industrial Estate
Poynton
Stockport
Cheshire SK12 1ND
Tel +44 (0) 1625 650500

Holographics

Manufacturing & Distribution

Salford, UK
API Holographics Limited
Astor Road, Eccles New Road,
Salford M50 1BB
Tel +44 (0) 161 789 8131

Distribution

France
API Foils SAS
14-16 Boulevard Arago,
Z1 Villemilan
91320 Wissous
Tel +33 (1) 69 754321

Germany
API Foils Deutschland GmbH
Ziegelstrasse 22,
Rednitzhembach D-91126
Tel +49 9122 630410

Italy
API Foils Italia Srl
Zona Industriale Squarzolo,
15046 San Salvatore
Monferrato (Alessandria)
Tel +39 (0)131 233617

Poland
API Folie Polska Sp z o o
Gen L Okulickiego 7/9
05-500 Piaseczno
Warsaw
Tel +48 22 233 10 65

California, USA
API Foils Inc
10715 Fulton Wells Avenue,
Santa Fe Springs
California 90670
Tel +1 562 944 0147

Hong Kong
API Foils Asia Limited
Unit 1705, 17th Floor,
Tower Two, Ever Gain Plaza,
88 Container Port Road
Kwai Chung, New Territories
Tel +852 3426 4908

Australia
API Foils Pty Ltd
Unit 10, 197 Power Street,
Glendenning
NSW 2761
Tel +61 29 625 9500

New Zealand
API Foils New Zealand Ltd
8 Monier Place, Mt Wellington,
Auckland 1060
Tel +64 9 579 9262