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API Group plc
Annual Report & Accounts 2010

API Group plc

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

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

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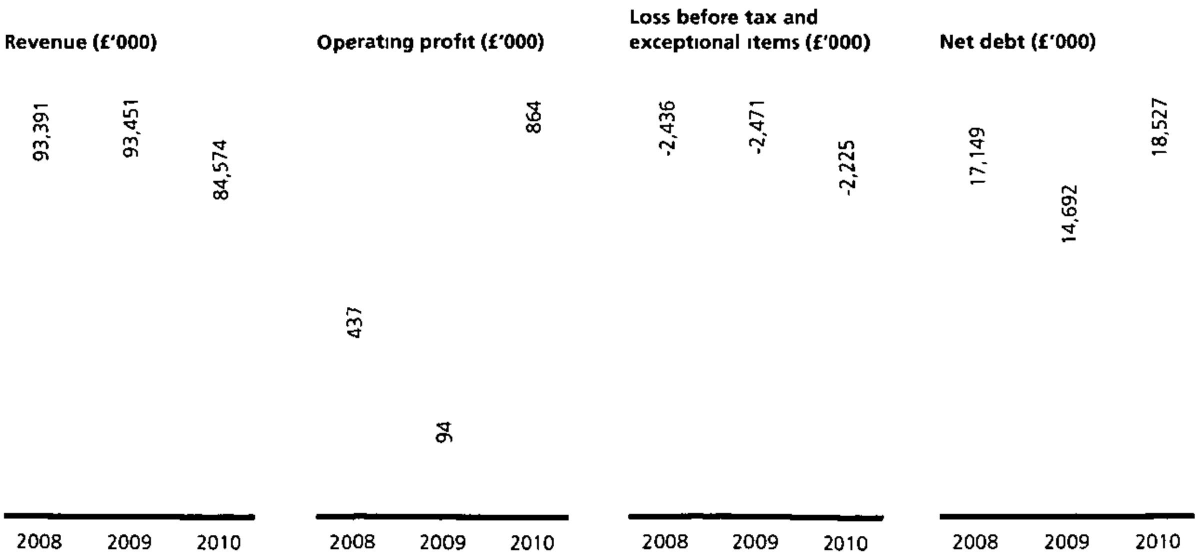
Highlights

- Full year sales of £84.6m, 12.5% lower at constant exchange rates.
- Operating profits up from £0.1m to £0.9m
- Strong rebound in the second half of the financial year, with operating profits of £1.9m (first half loss: £1.0m) on sales 9.7% ahead of the first six months
- Loss on continuing operations before tax and exceptional items of £2.2m (2009 loss: £2.5m).
- £5.1m impairment of fixed assets in China (£2.6m after adjustment for minority interests)
- IAS pension deficit, net of deferred tax, increased by £6.7m to £11.8m
- Earnings per share of 0.2p compared to a loss of 5.5p per share for 2008/9
- Net debt increased £3.8m as a result of negative cash flows in China and general increase in working capital to support second half sales growth
- New 3 5 year banking facilities in the UK and US. Completion of exercise to re-balance debt across the Group. Full covenant compliance



Group at a Glance

Foils, films & laminates ...

API is a producer and distributor of speciality foils, films and laminated materials used primarily in the graphics and packaging industries

Highly specified coating and adhesive formulations are tailored for multiple substrates & methods of application, designed to give optimum performance for printers, converters & manufacturers and finished to order to ensure optimum material utilisation for users

An extensive range of colours, patterns and finishes includes bespoke and print-registered designs and a portfolio of re-pulpable, compostable laminates

Decorative holographics foils & films

Paperboard & paper laminates

Security foils & films

Pigment foils

Metallic transfer foils

Service & quality ...

Twelve localised sales and distribution centres providing fast response to customer needs and product finished to precise size and length requirements

World class manufacturing capabilities . . .

Coating →
25 coating lines on 3 continents – high speed, high consistency with coating thicknesses of less than one micron and up to 8 layers per product

Metallising ↓
Vacuum metallising in aluminium, copper, chrome and zinc sulphide

Embossing ↓
An industry leader in micro-embossing, providing a unique range of decorative holographic patterns, bespoke authentication holograms and security products

Laminating ↑
Europe's most trusted supplier for high volume lamination of film and foil to board and paper delivering supreme integrity in packaging materials for some of the world's most recognisable brands

Products

Brand enhancement & authentication ...

API foils, films & laminates – increasing shelf impact, communicating premium value, differentiating and protecting consumer brands and secure documents

Chairman's Statement

Richard Wright

"Overall, the Group has continued to make progress despite the challenging economic environment and, while we have more work to do in China, the performance of our European businesses has been particularly encouraging"

Following difficult trading conditions in the first six months, I am pleased to report a much healthier operating performance by the Group in the second half of the financial year, ending 31 March 2010 Operating losses of £1 0m at the interim stage were reversed in the second six months, resulting in a full year operating profit of £0 9m Overall, the Group has continued to make progress despite facing challenging economic conditions

Full year sales of £84 6m were 12 5% lower than the prior year, on a constant exchange rate basis Second half revenues increased by 9 7% compared with the first six months of the financial year and were 2 4% ahead of the second half last year (again at constant exchange rates)

Our European businesses traded profitably throughout the year and improved their operating margins by 0 8% to 7 7%, despite a difficult first half and a slowdown in sales at Laminates The US business returned to profitability in the second half due to improved sales mix and lower costs, ending the year just short of break even at the operating level Full year losses in Asia Pacific narrowed slightly but did not make the progress expected as margin pressures negated much of the contribution from volume growth in the second half of the financial year

Operating results have continued to benefit from the decisive action taken on costs during the past two years with a year-on-year impact of £4 0m These cost measures and lower input prices drove the improvement in profitability, against a back drop of lower overall volumes

However the Group's 51% owned subsidiary in China had another difficult year While production was stabilised in the new manufacturing facility and some progress was made in rebuilding volumes, the impact on profitability was disappointing In view of continuing heavy losses, the Board carried out an impairment review of the Chinese assets leading to a non-cash charge of £5 1m, or £2 6m after adjusting for minority interests The Board has also commenced a strategic review of its investment in China

During the year, Group net debt increased by £3 8m to £18 5m, primarily as a result of residual capital expenditure and trading losses in China and a general increase in working capital to support the higher level of sales as we exited the financial year

The Group's funding position has been materially enhanced by the agreement of new banking facilities in both the UK and US, each with a term of 3 5 years As well as providing greater funding stability, these developments conclude a two year programme to re-balance debt between the Group's three separately financed regions and to eliminate any disproportionate exposure to indebtedness in the UK

Noting the significant increase in the IAS 19 deficit associated with the Groups legacy defined benefit pension schemes, the Board continues to work closely with the scheme trustees to monitor investment performance and to explore opportunities for managing the scheme liabilities

Dividend

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

Board

There were no changes in the composition of the Board since the last Annual Report

Our People

The Board wishes to express its gratitude to the Group's employees who have demonstrated exceptional commitment and loyalty during a time of economic turbulence Their hard work and receptiveness to change have ensured that the business has continued to move forward positively, in spite of challenging market conditions

Outlook

While the trading environment has been steadily improving, confidence remains fragile in many of the Group s markets

So far, sales during the early part of the new financial year have maintained the progress made during the second half of last year and the competitiveness of our UK manufacturing operations continues to benefit from the weakness of Sterling On the other hand, the foils market remains very competitive and recent strong increases in raw material prices are likely to put margins under pressure in both the US and Europe

API Laminates has a number of projects at an advanced stage which, if they come to fruition, have the potential to provide a significant uplift in volumes for that business

In addition to eliminating the trading losses in China, management's key focus remains on maximising opportunities to grow sales revenue while maintaining vigilance on costs

Richard Wright
Non-executive Chairman

Business Review

Andrew Turner and Chris Smith

"Operating losses of £1 0m at the interim stage were reversed in the second six months, resulting in a full year operating profit of £0 9m "

Andrew Turner

Group Operating Results

For the 12 months to 31 March 2010, Group sales were £84 6m, representing a reduction of 9 5% compared with the prior year or 12 5% at constant exchange rates Year-on-year sales growth was 2 4% in the second half (at constant exchange rates), partially reversing a first half decline of 25 2%

Operating profit from continuing operations and before exceptional items was £0 9m, up from £0 1m in the previous 12 months If results had been translated at prior year exchange rates, the improvement in operating profit would have been £1 0m

For the Group as a whole, the impact of reduced revenues was more than offset by cost saving measures from prior and current year initiatives (£4 0m) and lower average energy and raw material costs (£1 2m) The benefit to margins on UK manufactured goods, arising from Sterling's relative weakness against the Euro, is estimated at £1 0m

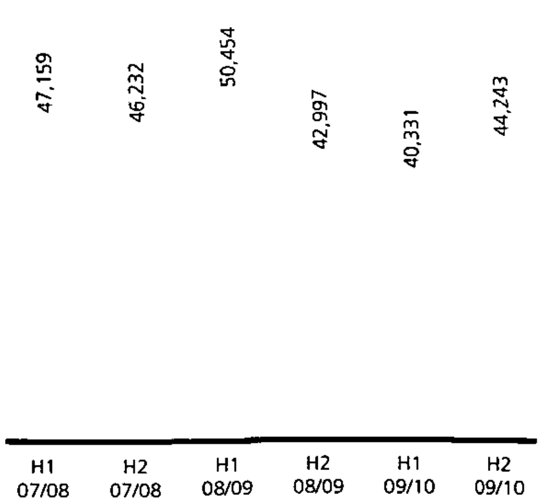
At a regional level, full year operating profits in Europe were unchanged, while gains were registered in North America (£0 2m), Asia Pacific (£0 3m) and from central costs (£0 3m)

Europe Foils

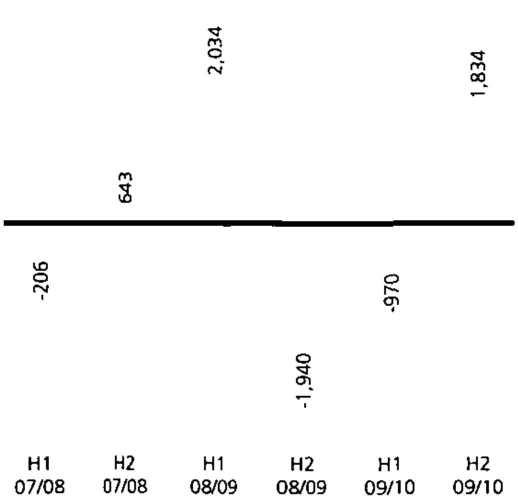
Third party sales originating in the European Foils business were £28 7m, up 1 2% on prior year (-1 1% at constant exchange rates) After a 13 5% decline in the first half (at constant exchange rates), sales recovered steadily in the balance of the financial year Second half sales came in 13 0% ahead of the same period last year with Italy and Security Holographics performing especially well

Operating profits before exceptional items improved by £0 7m to £2 5m, a result of lower operating costs, improved efficiencies at the Salford production unit, lower average raw material and utility costs and more favourable exchange rates applicable to UK manufactured products sold in the euro-zone Operating margin on total sales increased by 2 5% to 7 9%

Revenue (£'000)



Operating profit (£'000)



Europe Laminates

Laminates full year revenues were 21 0% lower than prior year at £28 0m The business was adversely affected by a lack of promotional and packaging development activity amongst brand owners in the premium consumer goods sector Demand increased in the second half of the financial year, with sales 7 0% ahead of the first half although still 8 0% behind the second half last year

Full year operating profits of £2 0m were £0 7m lower than the prior year, although operating margins were just 0 5% lower at 7 3% as a result of improved sales mix and tight control of costs

North America

Reported revenues from US operations of £19 6m were 6 9% below last year and 13 8% lower at constant exchange rates The US business was hit hard by the economic recession with sales down 30 5% in the first six months, recovering in the second half by 6 2% compared to the first half

Cost reduction measures, including the carry-over benefit from prior year actions, combined with improved sales mix and lower material and utility prices led to a return to profit in the second half and a reduction in full year losses from £0 3m to £0 1m

Asia Pacific

Sales originating in Asia Pacific of £8 3m were down 4 0% compared to the previous 12 months (-12 2% at constant exchange rates) Third party revenues in China were 18 0% lower at constant exchange rates Including shipments to other API businesses the decline in China sales was 11 3% after volumes in the second half of the financial year recovered by 19 3% compared to the first half Elsewhere in the region, Australia had a strong year, partly offset by reduced sales in New Zealand

Reported operating losses in the region reduced by £0 3m to £2 3m as a result of lower regional management costs and a higher contribution from Australia At constant exchange rates, the year-on-year improvement would have been £0 4m

In China, contribution from the second half growth in volumes was negated by steep increases in raw material costs, price erosion on domestic sales and the impact of unfavourable exchange rate movements on export margins

As a result of continuing heavy losses, the Board has impaired the fixed assets of the business in Shanghai in the period's financial statements and commenced a strategic review of options for the Group's investment in its 51% owned Chinese subsidiary

Central Costs

Central costs before exceptional items reduced by £0 3m to £1 2m mostly as a result of the full year effect of cost saving initiatives started last year

Exceptional Items

Exceptional items for the 12 months to 31 March 2010 of £6 0m includes a non-cash impairment charge of £5 1m in relation to the carrying value of plant and equipment at the Group's subsidiary in Shanghai Of this, 49% is for the account of minority Shareholders in the venture, leaving the impact on the Group's Shareholders at £2 6m Further details are provided in note 12 to the accounts

The remaining £0 9m includes £0 6m of expenses associated with cost reduction programmes in UK and US operations initiated in 2008 An additional £0 3m was incurred in relation to the Shanghai factory relocation project which completed during 2009

Impairment

With the exception of the impairment to fixed assets in China, the Board considers that no other impairments to goodwill or asset carrying values are necessary

Our Business
Our Governance
Our Financials

Business Review

"The Group's funding position has been materially enhanced by the agreement of new banking facilities in both the UK and US, each with a term of 3 5 years these developments conclude a two year programme to rebalance debt between the Group's three regions "

Chris Smith

Finance Costs
Net finance costs for the 12 months ended 31 March 2010 were £3 1m, including £1 1m in respect of defined benefit pension schemes Compared with the prior year, finance costs increased by £0 2m with interest payable on bank loans decreasing by £0 1m and pension fund finance costs increasing by £0 4m The increase in pension fund interest relates to non-cash accounting entries associated with lower net returns on UK pension scheme assets Note 18 to the accounts provides further information on pension scheme financing costs

Loss before Taxation
The loss before taxation amounted to £8 2m compared to a profit of £2 2m in the year ended 31 March 2009 The difference is a result of exceptional costs of £6 0m against a net gain of £4 7m in the previous year Excluding the impact of exceptional items, the loss before tax was £2 2m compared to a loss of £2 5m in the prior year

Taxation
For the year to 31 March 2010, a tax credit of £6 3m has been credited to the profit and loss account compared with a charge of £4 3m for the 12 months to 31 March 2009

A provision of £3 3m was taken in the accounts for the year ending 31 March 2009 in respect of a potential tax liability on the sale of land in Shanghai after the Company's manufacturing operations were relocated to a new site On completion of a review by the authorities, it was determined that no tax liability had arisen and the provision has therefore been reversed

A tax credit of £2 9m reflects increased recognition of deferred tax assets as trading results have improved in the US and Europe and compares to a tax charge in respect of deferred tax assets of £1 0m in the prior year Of the £2 9m, £2 6m relates to operations based in the UK and £0 3m relates to the US

A full reconciliation of the total tax charge is shown in Note 7(b) to the accounts

Earnings per Share
Basic and diluted earnings per share from continuing operations amounted to 0 2p for the 12 months to 31 March 2010 compared to a loss per share of 3 7p for the year to 31 March 2009 Including discontinued operations, earnings per share was unchanged at 0 2p compared to a loss per share of 5 5p in the prior year

Cash Flow and Net Debt
For the 12 month period to 31 March 2010, the Group reported a net cash outflow from operating activities of £0 8m compared to an inflow of £6 4m for the year to 31 March 2009

Working capital increased by £3 7m, primarily reflecting a higher exit rate of activity and a partial reversal of the £5 8m reduction during the prior year Year end working capital efficiency, measured by reference to the trailing three month annualised sales, was 16 8% compared to 15 0% at 31 March 2009

Capital investment in the year amounted to £1 2m compared to £4 1m for the year ended 31 March 2009 and depreciation of £3 8m as the Group continued to focus on cost management and improving utilisation of existing installed capacity

Annual cash interest expense reduced by £1 0m to £1 5m due primarily to timing differences on loan maturities and costs associated with refinancing

Net debt increased during the year by £3 8m to £18 5m at 31 March 2010 Capital expenditure, trading losses and dividend payments, all relating to China accounted for £3 1m of the increase

Gearing increased to 107% compared to 56% at 31 March 2009, including a 31% impact arising from the increase in the IAS 19 pension deficit and the associated reduction in reported net assets

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 geographic regions, the UK, North America and China
The Group extended its main UK banking agreement in November 2009 for a 3 5 year period to July 2013 Facilities at 31 March 2010 totalled £17 9m including an amortising term loan of £7 0m repayable from October 2010 to July 2013 (£4 25m due on or after April 2013), a term loan of £7 4m repayable July 2013 and a multi-option overdraft facility of £3 5m renewable in November 2010 UK borrowings are secured against the Group's UK assets

As part of the UK refinancing, warrants for ordinary shares were issued to Barclays plc at an exercise price of 1p and representing 4 8% of post warrant share capital Further disclosure is included in Note 19 to the accounts
The North America banking facilities at 31 March 2010 comprised a term loan of $0 35m repayable within 1 year and a variable asset-based facility up to $5 0m depending on the level of working capital At 31 March 2010 the amount available was $2 1m with lending secured on US working capital, plant and equipment Since the year end, the US business has completed a new 3 5 year agreement comprising a $2 1m amortising loan and a $5 5m asset based overdraft facility These new facilities are secured on working capital plant and equipment and the Kansas property

In China, a revolving working capital facility of RMB 42m (approximately £4 0m) is secured against property assets and is repayable within 1 year

Bank Covenants

The Group's main lending arrangements are with Barclays Bank plc in the UK Total lending under committed and revolving facilities is subject to four quarterly financial covenant targets reflecting the financial performance of the Group, after excluding the US and China businesses Covenants are for Debt Cover, Total Service Payments Cover, Senior Interest Cover and Tangible Net Worth New covenant limits were established for the full 3 5 years during the facilities renegotiation in November 2009 At 31 March 2010 Debt Cover, the ratio of net debt to 12 month trailing EBITDA was 2 61 (2009 2 74) and this and all other covenant ratios were comfortably within facility limits

US facilities are subject to covenant obligations relating to profitability and net worth Throughout the year to 31 March 2010 the US business met its covenant obligations to the lender, HSBC

The China facilities are subject to a limited number of general financial covenants which have been complied with throughout the year In light of the continued poor trading performance of the Chinese business quarterly business reviews with the Bank of China were instituted during April 2010

Foreign Currency Exchange Rates

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

	Average		Closing	
	12 months to 31 March	12 months to 31 March	As at 31 March	As at 31 March
Rate to £1	2010	2009	2010	2009
US $	1 59	1 72	1 52	1 43
Euro	1 13	1 21	1 12	1 08
RMB	10 86	11 81	10 35	9 79

Pensions

The Group operates a number of pension schemes for the benefit of its past and current employees At 31 March 2010 the Group's IAS 19 gross pension liability was assessed at £16 4m (2009 £7 1m) with a net liability of £11 8m (2009 £5 1m) after accounting for a deferred tax asset of £4 6m (2009 £2 0m) While scheme asset values improved significantly during the year (+£13 1m), this was insufficient to compensate for an increase in assessed liabilities of £22 5m arising from a less favourable outlook on inflation and discount rates

The API Group plc Pension and Life Assurance Fund is a defined benefit scheme operated by the Group in the UK which has been closed to new members since October 2006 and was closed to future service accrual on 31 December 2008 The IAS 19 liability at 31 March 2010 relating to this scheme was £15 7m (2009 £6 3m) Liabilities have been calculated using assumptions on discount rates of 5 65% (2009 6 85%) and an inflation rate of 3 5% (2009 2 8%)

The UK scheme's last triennial valuation, at 30 September 2007, calculated a funding deficit of £8 7m on a continuing basis Following that valuation, the Company and Scheme Trustees agreed a funding plan and schedule of contributions aimed at reducing the deficit to zero over a 10 year period During the year to 31 March 2010, the Group made additional contributions into the scheme of £0 3m This contribution rate will increase to £0 7m per year from January 2011 The Company also pays all pension related administration fees on behalf of the Fund The next valuation is scheduled for September 2010

A small number of current and past US employees are members of a closed, defined benefit pension plan Details of the net deficit of £0 7m (2009 £0 8m) are included in Note 18 to the accounts In addition, current and past employees covered by union contracts at the Group's manufacturing site in Rahway, New Jersey are members of a multi-employer defined benefit pension plan which remains open to future accrual and new membership under the terms of the site's collective bargaining agreement

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

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

The Group Chief Executive is accountable to the Board for the overall supervision of the Group's SHE management programme which is implemented through normal management channels As a matter of policy SHE is placed first on the agenda of all regular business review meetings, including Board meetings, and at least 1 SHE item is included on the list of annual objectives for business unit general managers under annual performance appraisal/bonus arrangements

The Environment

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

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

In the year to 31 March 2010, the Groups foil manufacturing plant in Livingston, Scotland implemented changes to its solvent abatement system leading to a reduction in gas consumption of 35% or approximately 7,000 MWh per annum In Rahway, New Jersey, an investment in new lighting fixtures led to estimated annual savings in electricity consumption of 600 MWh per annum API Laminates achieved a range of environmental improvements leading to recognition in the Sunday Times Best Green Companies 2010 Awards, listed as 5th best green company overall and 1st in the category of small firms with potentially high environmental impacts

Health & Safety

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

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

A key performance indicator monitored by the Board is the incidence of accidents at work causing an employee to be absent for 1 day or more (lost time accidents) The number of lost time accidents recorded for the 12 months to 31 March 2010 was 10 compared to 12 for the prior 12 month period Lost time accidents per 100,000 hours worked was unchanged at 0 8

Business Review — Principal Risks and Uncertainties

Operational

Markets

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

Geographic

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

Commercial Relationships

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

Input Costs

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

Defined Benefit Pension Schemes

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

Health & Safety

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

Environment

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

Financial

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

Foreign Currency

With operations in 9 countries, the Group is exposed to foreign exchange translation risk when the net assets and income statements of overseas subsidiaries are consolidated into the Group accounts The Parent Company hedges a portion of the net assets of the US$ entity by denominating part of its borrowings in US$ The net assets of the US subsidiary at 31 March 2010 were $12 4m and were 50% covered by this hedge The Group does not undertake any trading activity in financial instruments Transactional foreign exchange exposures arise when an entity within the Group enters into a transaction to pay or receive funds in a currency other than its functional currency For substantial exposures, it is Group policy to hedge through the use of foreign exchange forward contracts

Interest Rates

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

Credit

Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed 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 has bought credit insurance for its main operating companies in the past and whilst no insurance cover was in place at the financial year end, the Group continues to monitor options to re-enter the insurance market when market premiums provide better value for money

Liquidity

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

Directors and Advisers

Richard Wright
Non-executive Chairman
Aged 64, joined the Board in 2001 and was appointed Chairman in February 2006 He has previously held senior executive roles with the Ford Motor Company including Director, European operations at Jaguar Cars Limited, Director of Sales, Ford Motor Company Limited and President/Managing Director of Ford Belgium NV He is the former Chair of the Board of National Savings and Investments and is currently Chair, Corporate Relations Board and member of The Business School Board at Warwick Business School, University of Warwick Mr Wright is a Non-executive Director of the Electric Car Corporation plc Mr Wright is a member of the Company's Audit and Nominations Committee

Andrew Turner
Group Chief Executive
Aged 47, joined the Board in October 2007 Mr Turner is a graduate mechanical engineer with an MBA and has over 14 years' experience in the packaging sector Before joining API, he was Global Vice President, Marketing & Sales for the Tobacco Packaging sector of Alcan, the worldwide aluminium producer Prior to that, he was Divisional Managing Director with Field Group plc, the printed paperboard packaging company, with responsibility for operations in the UK, Germany and Spain He is a member of the Company's Nominations Committee

Chris Smith
Group Finance Director
Aged 46, joined the Board in September 2008 Mr Smith has spent the last 20 years working in manufacturing businesses He 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, Mr Smith worked for Scapa plc, manufacturers of adhesive tapes and films He is a qualified ACA

Andrew Walker
Non-executive Director
Senior Independent Director
Aged 58, joined the Board in 2003 He has wide public company experience both in manufacturing and service companies He was previously Group Chief Executive of McKechnie plc Prior to joining McKechnie, he was Group Chief Executive of South Wales Electricity, joining them from TI Group plc Mr Walker is currently Chairman of Brintons Limited and a Non-executive Director of Plastics Capital plc, Manganese Bronze Holdings plc, Porvair plc and May Gurney Integrated Services plc He is Chairman of the Company's Remuneration and Audit Committees

Max Batzer
Non-executive Director
Aged 66, joined the Board in October 2007 Mr Batzer is a Portfolio Manager at Wynnefield Capital, Inc which has a significant beneficial interest in the Company's shares He is also a Director of Cornell Companies, Inc (a company listed on the New York Stock Exchange) and Integral Wealth Management and has previously held positions as Chairman of the Board and CEO of Diagnostic Health Services, Director and Executive Committee member of Simmons Airlines Inc, a publicly traded regional airline, and President of General Hide and Skin Corporation, a worldwide commodity trading organisation Mr Batzer is Chairman of the Company's Nominations Committee and a member of the Remuneration Committee

Luke Wiseman
Non-executive Director
Luke Wiseman, 43, joined the Board on 1 September 2006 Mr Wiseman is an investment consultant and is Non-executive Chairman of Barbican Group Holdings Limited He serves as a Director of Steel Partners (UK) Limited, whose affiliates have a significant beneficial interest in the shares in the Company Mr Wiseman is a member of the Company's Audit Committee

Secretary
Jane Hyndman

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Directors' Report

The Directors present their Annual Report and the audited financial statements for the year ended 31 March 2010

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 57

Results, Business Review and Future Developments

The Group Income Statement is set out on page 21

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

Dividends

In light of the Group results and priorities with respect to debt reduction, the Directors do not propose to pay a dividend

Directors

The names of the Directors who served the Company during the year to 31 March 2010 are
Richard Wright
Andrew Turner
Chris Smith
Andrew Walker
Luke Wiseman
Max Batzer

Under the Company s Articles of Association all the Directors are subject to retirement by rotation and to re-election by Shareholders at intervals of no more than 3 years Luke Wiseman will retire at the 2010 Annual General Meeting and offers himself for re-election As only one Director is due to retire this year in accordance with this provision, the Company's Articles of Association require one further Director to retire and to offer himself for re-election Richard Wright has therefore offered to retire and stand for re-election In the light of the Board's evaluation of their contribution and performance, the re-election of Messrs Wright and Wiseman is recommended by the Board

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

Details of Directors' remuneration, 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 page 17

Substantial Interests in Shares

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

	% of issued share capital
Steel Partners II LP	35 7
Wynnefield Capital, Inc	31 5
Berggruen Holdings Limited	11 1

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

Principal Risks and Uncertainties

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

Safety, Health and the Environment

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

Employees

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

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

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

Directors' Report

Payments to Suppliers

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

Charitable and Political Donations

Charitable donations made by the Group during the period amounted to £1,586 (2009 £3,707) There were no political donations

Going Concern

The Business Review on pages 8 to 13 sets out the position of the Group's trading situation, including factors likely to impact on the future development of the Group's operating performance While the Group's end markets have demonstrated some recovery in the second half of the financial year to March 2010, a sustained recovery remains uncertain 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 financial position of the Group, including its cash flows, liquidity situation and borrowing facilities are set out in the Business Review on pages 8 to 13 During the year, the Group's main borrowing facilities were renegotiated and committed facilities extended to July 2013 In May 2010, the Group negotiated new and enlarged facilities for the US business

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 and within the covenant targets

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

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable 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 those 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, and of the profit or loss of the Group for that period

The Directors are required to prepare Group financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period

In preparing those Group 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 financial performance,
- state that the Group has complied with IFRSs, and
- prepare the financial statements on a 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 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 15 Having made enquiries of fellow Directors and of the Company's Auditor, each of those Directors confirms that as at the date of this report as far as each Director is aware there is no relevant audit information of which the Company's Auditor is unaware and each Director has taken such steps as he might reasonably be expected to take as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of such information

Auditor

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

By order of the Board

Jane Hyndman
Company Secretary
Poynton, Cheshire
2 June 2010

Directors' Emoluments

The emoluments of the Directors are as follows

	Aggregate emoluments £'000	Pension contributions £'000	Compensation for loss of office £'000	Total £'000
Year ended 31 March 2010				
Executive Directors				
Andrew Turner	314	20	—	334
Chris Smith	200	12	—	212
Non-executive Directors				
Richard Wright	50	—	—	50
Andrew Walker	30	—	—	30
Luke Wiseman	25	—	—	25
Max Batzer	25	—	—	25
	644	**32**	—	**676**
Year ended 31 March 2009				
Executive Directors				
Andrew Turner	296	20	—	316
Chris Smith	118	6	—	124
Non-executive Directors				
Richard Wright	52	—	—	52
Andrew Walker	30	—	—	30
Luke Wiseman	25	—	—	25
Max Batzer	25	—	—	25
Brian Birkenhead	3	—	15	18
Martin O Connell	2	—	14	16
	551	26	29	606

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 2009	800,000	325,000	1,125,000
Granted during the year	400,000	151,163	551,163
At 31 March 2010	**1,200,000**	**476,163**	**1,676,163**

These options are granted under the 2006 Performance Share Plan The awards are in the form of "nil" cost options and no price is payable for the grant of the options The right to exercise the options is subject to the achievement of profit related performance targets The options are exercisable between 28 March 2011 and 22 June 2019

Corporate Governance

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

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

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

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

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

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

The Board meets on a regular basis During the period ended 31 March 2010 it met formally 7 times (in addition to other ad hoc meetings as required) Appropriate documentation and financial information is provided on a monthly basis and in advance of each Board meeting This normally includes monthly management accounts, reports on current trading and papers on matters in respect of which the Board makes decisions or is invited to give its approval Regular reports are given to the Board on such matters as insurance and treasury issues, legal matters, pensions and health, safety and environmental issues Specific presentations are also made on business or strategic issues as appropriate Regular presentations are received from the General Manager of each of the Group's principal operating businesses in respect of its market position, current trading and prospects and from other senior managers responsible for key functions or projects

The Board has a formal schedule of reserved powers, which it retains for Board decision-making on a range of key issues, including the formulation of strategy, financial reporting and controls, corporate governance matters, treasury and risk management and the remuneration policy for Executive Directors and other senior executives of the Group A procedure has been adopted for Directors to obtain independent professional advice, where appropriate, at the cost of the Company and all Directors have unrestricted access to the Company Secretary In relation to non-reserved matters, the Board is assisted by a number of committees with delegated authority Further details in respect of each of the Audit Committee and the Remuneration Committee are set out on page 19 The other principal standing committee is the Nominations Committee which is responsible for nominating candidates (both Executive and Non-executive) for the approval of the Board to fill vacancies or appoint additional persons to the Board It is also responsible for making recommendations regarding the composition and balance of the Board and for succession planning for other senior executives

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

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

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

Audit Committee
The Audit Committee comprises the following Non-executive Directors Mr Walker (chair), Mr Wright and Mr Wiseman The Committee meets at least 3 times per year and the Company's Auditor is in attendance when appropriate The Executive Directors attend whenever the Audit Committee deems it appropriate or necessary for them to do so The Committee also meets the Company's Auditor without the Executive Directors being present

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

Internal Control and Risk Management
The Board has overall responsibility for ensuring that the Group maintains a system of internal controls and the Audit Committee, on behalf of the Board, has formally reviewed the effectiveness of the internal control system of the Group for the period ended 31 March 2010

The key processes used in doing so included the following
- review of Group risk assessment reports,
- production and regular updating of summaries of key controls,
- review of reports prepared throughout the period by the internal auditor
- biannual confirmations from local management that the procedures set out in the Group s financial policy manual have been followed, and
- review of the role of insurance in transferring risk from the Group

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

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

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

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

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

The Committee, on behalf of the Board and with input from external 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 that they are fairly rewarded for their individual contribution to the Company's overall performance It approves the terms of service contracts with Executive Directors, approves any compensation arrangements resulting from the termination by the Company of a Director's service contract, and approves the grant of long-term incentives

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

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

The Company's Financial Calendar is set out on page 59 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 financial statements of API Group plc for the year ended 31 March 2010 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 25 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 16, 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 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 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 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 financial statements

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's affairs as at 31 March 2010 and of the Group's loss for the year then ended,
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and
- the financial statements 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 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 2010

Ernst & Young LLP

Colin Brown (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Manchester
2 June 2010

Group Income Statement
for the year ended 31 March 2010

	Note	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Continuing operations			
Revenue	2	84,574	93,451
Cost of sales		(66,627)	(74,780)
Gross profit		17,947	18,671
Distribution costs		(2,307)	(2,806)
Administrative expenses		(14,776)	(15,771)
Operating profit before exceptional items	2	864	94
Exceptional items	5	(5,976)	4,699
Operating (loss)/profit from continuing operations	3	(5,112)	4,793
Finance revenue	6	40	310
Finance costs	6	(3,129)	(2,875)
		(3,089)	(2,565)
(Loss)/profit on continuing activities before taxation		(8,201)	2,228
Tax credit/(expense)	7	6,309	(4,314)
Loss from continuing operations		(1,892)	(2,086)
Discontinued operations			
Loss from discontinued operations	8	—	(1,298)
Loss for the period		(1,892)	(3,384)
Attributable to			
Profit/(loss) attributable to equity holders of the Parent		124	(3 861)
(Loss)/profit attributable to minority equity interest		(2,016)	477
Total loss for the period		(1,892)	(3,384)
Earnings per share (pence)			
Basic and diluted earnings/(loss) per share from continuing operations	9	0 2	(3 7)
Basic and diluted earnings/(loss) per share on profit/(loss) for the period	9	0 2	(5 5)

Group Statement of Comprehensive Income

for the year ended 31 March 2010

	Note	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Loss for the period		**(1,892)**	(3,384)
Exchange differences on retranslation of foreign operations		**(565)**	5,973
Change in fair value of effective cash flow hedge (interest rate swap)		**108**	(360)
Actuarial losses on defined benefit pension plans	18	**(9,085)**	(3,925)
Tax on items taken directly to or transferred from equity	7	**2,544**	1,099
Other comprehensive (expense)/income for the period, net of tax		**(6,998)**	2,787
Total recognised expense for the year		**(8,890)**	(597)
Attributable to			
Equity holders of the Parent		**(6,492)**	(3,367)
Minority equity interests		**(2,398)**	2,770
		(8,890)	(597)

Group Balance Sheet

at 31 March 2010

	Note	31 March 2010 £'000	31 March 2009 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	28,772	38,342
Intangible assets — goodwill	11	5,188	5,188
Trade and other receivables	13	134	209
Deferred tax assets	7	7,738	2,318
		41,832	46,057
Current assets			
Trade and other receivables	13	16,697	14,492
Inventories	14	13,110	12,699
Cash at bank and in hand	15	1,041	2,234
		30,848	29,425
Total assets	2	72,680	75 482
Liabilities			
Current liabilities			
Trade and other payables	16	18,444	20,368
Financial liabilities	17	5,416	5,747
Income tax payable		346	4,259
		24,206	30,374
Non-current liabilities			
Financial liabilities	17	14,404	11,539
Deferred tax liabilities	7	256	256
Provisions		97	61
Deficit on defined benefit pension plans	18	16,406	7,081
		31,163	18,937
Total liabilities		55,369	49,311
Net assets		17,311	26,171
Equity			
Called up share capital	19	701	701
Share premium		7,136	7,136
Other reserves	21	8,595	8,595
Foreign exchange reserve	21	3,309	3,492
Retained loss		(7,805)	(1,526)
API Group Shareholders' equity		11,936	18,398
Minority interest		5,375	7,773
Total equity		17,311	26,171

Signed on behalf of the Board

A Turner
2 June 2010

Company number 169249

Group Statement of Changes in Equity

for the year ended 31 March 2010

	Equity share capital £'000	Share premium £'000	Other reserves £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
At 1 April 2008	8,998	7,136	298	(188)	5,568	21,812
Loss for the year	—	—	—	—	(3,861)	(3,861)
Other comprehensive income/(expense)						
Exchange differences on retranslation of foreign operations	—	—	—	3,680	—	3,680
Change in fair value of effective cash flow hedge (interest rate swap)	—	—	—	—	(360)	(360)
Actuarial losses on defined benefit pension plans	—	—	—	—	(3,925)	(3,925)
Tax on items taken directly to equity	—	—	—	—	1,099	1,099
Total comprehensive income/(expense) for the year	—	—	—	3,680	(7,047)	(3,367)
Buy back of deferred shares	(8,297)	—	8,297	—	—	—
Share-based payments	—	—	—	—	(47)	(47)
At 31 March 2009	701	7,136	8,595	3,492	(1,526)	18,398
Profit for the year	—	—	—	—	124	124
Other comprehensive income/(expense)						
Exchange differences on retranslation of foreign operations	—	—	—	(183)	—	(183)
Change in fair value of effective cash flow hedge (interest rate swap)	—	—	—	—	108	108
Actuarial losses on defined benefit pension plans	—	—	—	—	(9 085)	(9,085)
Tax on items taken directly to equity	—	—	—	—	2,544	2,544
Total comprehensive expense for the year	—	—	—	(183)	(6,309)	(6,492)
Share-based payments	—	—	—	—	30	30
At 31 March 2010	701	7,136	8,595	3,309	(7,805)	11,936

	Shareholders' equity £'000	Minority interest £'000	Total equity £ 000
At 1 April 2008	21,812	5,887	27,699
Total comprehensive (expense)/income for the year	(3,367)	2,770	(597)
Dividends	—	(884)	(884)
Share-based payments	(47)	—	(47)
At 31 March 2009	18,398	7,773	26,171
Total comprehensive expense for the year	(6,492)	(2,398)	(8,890)
Share-based payments	30	—	30
At 31 March 2010	11,936	5,375	17,311

Group Cash Flow Statement

for the year ended 31 March 2010

	Note	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Operating activities			
Group operating (loss)/profit		(5,112)	4,793
Adjustments to reconcile Group operating profit/(loss) to net cash flows from operating activities			
Depreciation of property, plant and equipment		3,820	3,905
Impairment of property, plant and equipment		5,083	—
Impairment of goodwill		—	1,292
Loss/(profit) on disposal of property, plant and equipment		10	(7,780)
Share-based payments		30	(47)
Difference between pension contributions paid and amounts recognised in the income statement		(854)	(1,021)
(Increase)/decrease in inventories		(590)	1,310
(Increase)/decrease in trade and other receivables		(2,302)	5,224
Decrease in trade and other payables		(862)	(731)
Movement in provisions		36	(92)
Cash (used in)/generated from operations		(741)	6,853
Income taxes paid		(96)	(405)
Net cash flow from operating activities		(837)	6,448
Investing activities			
Interest received		40	35
Purchase of property, plant and equipment		(1,193)	(4,110)
Sale of property, plant and equipment		30	8,706
Payment of legal costs in respect of discontinued operations		(12)	(1,171)
Net cash flow from investing activities		(1,135)	3 460
Financing activities			
Interest paid		(1,458)	(2,512)
Dividends paid to minority interests		(434)	(620)
New borrowings		7,131	1,693
Repayment of borrowings		(3,850)	(9,594)
Net cash flow from financing activities		1,389	(11,033)
Decrease in cash and cash equivalents		(583)	(1,125)
Effect of exchange rates on cash and cash equivalents		(114)	261
Cash and cash equivalents at the beginning of the period	15	151	1,015
Cash and cash equivalents at the end of the period	15	(546)	151

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 2010 were authorised for issue by the Board of Directors on 2 June 2010 and the balance sheet was signed on the Board's behalf by A Turner

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

Basis of preparation and statement of compliance with IFRS

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 March 2010 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

The Group meets its day-to-day working capital requirements through overdraft and loan facilities, as detailed in Note 17 The principal facilities relate to the UK In November 2009, these were extended to July 2013 Since the year-end, new facilities were put in place in the US business which extend to November 2013

While the Group's end markets have demonstrated some recovery in the second half of the financial year to March 2010, a sustained recovery remains uncertain 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 and within the covenant targets

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 2010 These policies have been consistently applied to all periods presented unless otherwise stated

During the current year, the Group has adopted IAS 1 *Revised Presentation of Financial Statements* (effective 1 January 2009) The revised Standard separates owner and non-owner changes in equity The Statement of Changes in Equity includes only details of transactions with owners, with non-owner changes in equity shown as a single line In addition, the Standard introduces the Statement of Comprehensive Income It presents all items of Comprehensive Income, either in one statement, or as two linked statements The Group has elected to present two statements

The Group also adopted IFRS 8 *Operating Segments* (effective 1 January 2009) This Standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group Adoption of this Standard does not have any effect on the financial position or performance of the Group Summary segmental information is presented in Note 2

In addition, the following new and amended standards and interpretations came into effect for accounting periods commencing on or after 1 April 2009 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

- IFRS 2 *Share-based Payment — Vesting Conditions and Cancellations* (effective 1 January 2009)
- IFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions* (effective 1 January 2010)
- IFRS 3 *Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)* including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39 (effective 1 July 2009)
- IFRS 7 *Financial Instruments Disclosures* (effective 1 January 2009)
- IAS 23 *Borrowing Costs (Revised)* (effective 1 January 2009)
- IAS 32 *Financial Instruments Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation* (effective 1 January 2009)
- IAS 32 *Financial Instruments Presentation Classification of Rights Issues* (effective 1 February 2010)
- IAS 39 *Financial Instruments Recognition and Measurement — Eligible Hedged Items* (effective 1 July 2009)
- IAS 39 *Financial Instruments Recognition and Measurement — Embedded derivatives* (effective 30 June 2009)
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (effective 30 June 2009)
- IFRIC 17 *Distributions of Non-cash Assets to Owners* (effective 1 July 2009)
- IFRIC 18 *Transfer of Assets from Customers* (effective 1 July 2009)

1 Group accounting policies continued

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 on their effective dates

- IFRS 9 *Financial Instruments Classification and Measurement* (effective 1 January 2013)
- IAS 24 *Related Party Disclosures (Revised)* (effective 1 January 2011)
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective 1 July 2010)

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 12

Deferred tax assets

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

Pensions and other post-retirement benefits

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

Basis of consolidation

The consolidated accounts comprise those of the Parent Company and its subsidiary undertakings for the year ended 31 March 2010 The results for the subsidiary undertakings are included for the full year except where control is acquired or sold during the year, when results are included from or to the date of acquisition or sale

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full

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

Business combinations and goodwill

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

Goodwill arising on acquisitions is capitalised and subject to impairment review 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 despatch Rebates and discounts are recognised in accordance with contractual obligations held with customers They are recognised in the period to which they relate

Notes to the Consolidated Financial Statements

1 **Group accounting policies** continued

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

Exceptional items

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the Group and which need to be separately disclosed by virtue of their size or incidence

Property, plant and equipment

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

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

Freehold land is not depreciated

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

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

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 are 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

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

Leases

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

Inventories

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

Trade and other receivables

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

1 Group accounting policies continued

Cash and cash equivalents

Cash and cash equivalents principally comprise funds held with banks and other financial institutions with an original maturity of 3 months or less For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts

Financial liabilities — interest-bearing loans and borrowings

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

Provisions

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

Taxation

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

1 **Group accounting policies continued**

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

Share-based payments

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

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

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

Employee Share Option Trust ("ESOP Trust")

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

Warrants

Warrants are classified on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial liability, a financial asset or an equity instrument Warrants were issued during the year which meet the definition of an equity instrument In accordance with IAS 32, these warrants are accounted for when cash flows arise under the contract

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 Chief Executive Officer to monitor the financial performance of the constituent parts of the Group This information is analysed by four distinct independently managed segments in accordance with the location of assets Europe, North America and Asia Pacific, with the Europe segment being analysed further by the major product categories of Foils and Laminates

Revenue

	Year ended 31 March 2010 Continuing and Total £'000	Year ended 31 March 2009 Continuing and Total £'000
Total revenue by origin		
Europe		
Foils	31,124	32,411
Laminates	28,000	35,424
Intra-Europe	(373)	(2,398)
	58,751	65,437
North America	20,020	21,855
Asia Pacific	9,239	9,399
	88,010	96,691
Inter-segmental revenue		
Europe		
Foils	2,427	4,044
Laminates	—	—
Intra-Europe	(373)	(2 398)
	2,054	1,646
North America	469	852
Asia Pacific	913	742
	3,436	3,240
External revenue by origin		
Europe		
Foils	28,697	28,367
Laminates	28,000	35,424
	56,697	63,791
North America	19,551	21,003
Asia Pacific	8,326	8,657
Segment revenue	84,574	93,451
Revenue by products		
Total revenue		
Foils	56,947	60,425
Laminates	28,000	35,424
	84,947	95,849
Inter-segmental revenue		
Foils	373	2,398
Laminates	—	—
	373	2,398
External revenue		
Foils	56,574	58,027
Laminates	28,000	35,424
	84,574	93,451

Notes to the Consolidated Financial Statements

2 **Segmental analysis** continued

Revenue continued

	Year ended 31 March 2010 Continuing and Total £'000	Year ended 31 March 2009 Continuing and Total £'000
External revenue by destination		
UK	25,967	31,828
Rest of Europe	28,703	29,341
Americas	18,697	19,831
Asia Pacific	9,757	10,471
Africa	1,450	1,980
	84,574	93,451

No revenue arises from discontinued businesses in the years ended 31 March 2010 and 31 March 2009

All revenue is derived from the sale of goods

During the years ended 31 March 2010 and 31 March 2009 there was one major customer, reported in the Laminates segment, which comprised 10% or more of the total external revenue, amounting to £11,761,000 (2009 £12,156,000)

Segment result

	Year ended 31 March 2010 Continuing and Total £'000	Year ended 31 March 2009 Continuing and Total £'000
Operating profit/(loss)		
Europe		
Foils	2,471	1,753
Laminates	2,034	2,772
	4,505	4,525
North America	(64)	(276)
Asia Pacific	(2,363)	(2,612)
Segment result	2,078	1,637
Central costs	(1,214)	(1,543)
Total operating profit before exceptional items	864	94
Assets		
Europe		
Foils	21,798	22,788
Laminates	9,480	8,715
	31,278	31,503
North America	14,877	16,017
Asia Pacific	17,106	23,410
Segment assets	63,261	70,930
Unallocated	9,419	4,552
	72,680	75,482

3 Operating profit

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
This is stated after charging/(crediting)		
Research and development expenditure expensed during the period	759	998
Depreciation of property, plant and equipment	3,820	3,905
Loss/(profit) on disposal of property, plant and equipment	10	(7,780)
Cost of inventories recognised as an expense	38,551	44,404
Including write-down of inventories to net realisable value	397	1,076
Net foreign currency differences	(78)	(39)
Operating lease payments — minimum lease payments	729	949
Audit of the financial statements	108	124
Other fees payable to the Group's Auditors		
— audit of the Group pension scheme	5	10
— local statutory audits for subsidiaries	72	83
— other services	7	30

4 Staff costs and Directors' emoluments

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Wages and salaries	18,789	20,019
Social security costs	1,867	1,988
Pension costs		
— defined benefit (note 18)	—	363
— defined contribution	625	264
	21,281	22,634

Included in wages and salaries is a charge relating to share-based payments of £30,000 (2009 credit of £47,000)

Details of share-based payments are included in note 20

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

	Year ended 31 March 2010 No	Year ended 31 March 2009 No
Europe	327	385
North America	141	162
Asia Pacific	200	219
Central	23	23
	691	789

Notes to the Consolidated Financial Statements

4 Staff costs and Directors' emoluments continued

Directors' emoluments

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Total		
Aggregate emoluments	644	551
Contributions to defined contribution schemes (2 Directors)	32	26
Compensation for loss of office	—	29
	676	606
Highest paid Director		
Aggregate emoluments	314	296
Contributions to defined contribution schemes	20	20
	334	316

None of the current Directors is a member of the defined benefit pension scheme

5 Exceptional items

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Exceptional items credited to/(charged against) operating profit comprise		
Relocation of China factory	(267)	6,537
Impairment of property, plant and equipment	(5,083)	—
Impairment of goodwill	—	(1,292)
Restructuring of operating businesses	(626)	(546)
	(5,976)	4,699

Relocation of China factory
The charge in respect of the current year relates primarily to consultancy costs The prior-year figure comprises a net gain of £7,827,000 on sale of vacated land at the old factory and relocation and restructuring costs of £1,290,000 associated with the move

Impairment of property, plant and equipment
An impairment charge has been taken in the current year in respect of the manufacturing operations in China (see note 12)

Impairment of goodwill
In the year to 31 March 2009, goodwill associated with the Company's investment in the China business was impaired and written down to zero value

Restructuring of operating businesses
Restructuring costs comprise redundancy and other costs incurred in rationalising the Group's activities in line with reduced demand, primarily within the UK and US operations

6 Finance revenue and finance costs

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £ 000
Finance revenue		
Interest receivable on bank and other short-term cash deposits	2	35
Other interest receivable	38	—
Gains arising on forward foreign currency contracts	—	30
Gain on interest rate swap	—	245
	40	310
Finance costs		
Interest payable on bank loans and overdrafts	(1,942)	(2,011)
Other interest payable	(49)	(138)
Finance cost in respect of defined benefit pension plans	(1,138)	(726)
	(3,129)	(2,875)

7 Taxation

(a) Tax on loss on ordinary activities

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Tax (charged)/credited in the income statement		
Current income tax		
UK Corporation tax — refund in respect of prior years	46	—
Foreign tax — current year charge	(134)	(3 442)
— reversal of prior-year tax charge	3,505	136
Total current income tax credit/(charge)	3,417	(3,306)
Deferred tax		
Origination and reversal of temporary differences		
— defined benefit pension plan	80	(134)
— tax losses	1,383	(779)
— capital allowances	1,429	107
— other short-term temporary differences	—	(202)
Total deferred tax credit/(charge)	2,892	(1,008)
Tax credit/(charge) in the income statement (continuing operations)	6,309	(4,314)
There was no income or deferred tax on discontinued operations		
Tax credit/(charge) on items taken directly to or transferred from equity		
Deferred tax		
Actuarial gains and losses on pension schemes	2,544	1,099

The reversal of prior-year foreign tax charge relates to the Group's subsidiary in China In the year to 31 March 2009, a provision of RMB 38m was made in respect of the profit on sale of surplus property in Shanghai after the relocation of operations to a new site During the 12 months to 31 March 2010, documentation has been received from the Chinese authorities which confirms that no specific land taxation is payable in respect of this transaction Accordingly, the provision has been released

Notes to the Consolidated Financial Statements

7 Taxation continued

The deferred tax credit largely relates to the UK The UK Group has now traded profitably for the last 2 years and projections indicate that this will continue for the foreseeable future Accordingly, a deferred tax asset has been recognised which represents approximately 3 years' profits at a rate of 28%

(b) Reconciliation of the total tax charge

The tax rate in the income statement for the year is higher than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are reconciled below

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
(Loss)/profit before taxation from continuing operations	(8,201)	2,228
Loss before taxation from discontinued operations	—	(1,298)
Accounting (loss)/profit before income tax	(8,201)	930
Accounting (loss)/profit multiplied by the UK standard rate of corporation tax of 28% (2009 28%)	(2,296)	260
Adjustments to tax charge in respect of prior period	(3,550)	(136)
Adjustments in respect of foreign tax rates	29	1,912
Recognition of prior year losses	(1,012)	—
Deferred tax asset recognised on losses	(1,383)	—
Deferred tax asset recognised on capital allowances	(1,429)	—
Losses for which deferred tax is not recognised	2,472	1,276
Other temporary differences for which deferred tax is not recognised	414	272
Expenses not deductible for tax purposes	446	367
Legal costs in respect of discontinued operations	—	363
Total tax (credit)/charge reported in the income statement	(6,309)	4,314

(c) Unrecognised tax losses

After the changes to deferred tax assets recognised in the period, the Group has unrecognised tax losses arising in the UK of £1,284,000 (2009 £5,802,000) that are available and may be offset against future taxable profits of those businesses in which the losses arose The UK tax Group also has capital allowances of £15 137,000 (2009 £26,953,000) available to offset against future taxable profits at the rate of 20% a year on a reducing balance basis

The Group has unrecognised US tax losses carried forward of $10,623,000 (2009 $14,494 000) which are available for offset against future profits for a period of between 10 and 20 years

(d) Deferred tax

The deferred tax included in the balance sheet is as follows

	31 March 2010 £'000	31 March 2009 £'000
Deferred tax liability		
Revaluation of fixed assets	(256)	(256)
Deferred tax asset		
Defined benefit pension plans	4,594	1,983
Tax losses	1,715	335
Capital allowances	1,429	—
	7,738	2,318

8 Discontinued operations

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Profit/(loss) after tax for the period from discontinued operations	—	—
Loss on disposal of discontinued operations	—	(1,298)
Loss for the period from discontinued operations	—	(1,298)

The net cash flows attributable to discontinued operations are as follows

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Operating cash flows	—	—
Investing cash flows	(12)	(1 171)
Net cash outflow	(12)	(1,171)

The loss on disposal of discontinued operations in the prior period relates to legal fees incurred in defending a claim for breach of warranties in connection with a business disposal made by the Group in 2005 The claim was settled in March 2009

9 Earnings per ordinary share

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

Diluted earnings per share is calculated by dividing the net profit/(loss) attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares

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

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Net profit/(loss) attributable to equity holders of the Parent — continuing operations	124	(2,563)
Loss attributable to equity holders of the Parent — discontinued operations	—	(1,298)
Net profit/(loss) attributable to equity holders of the Parent	124	(3,861)

	Year ended 31 March 2010 No	Year ended 31 March 2009 No
Basic weighted average number of ordinary shares	70,068,505	70,068,505
Dilutive effect of employee share options	3,049,008	—
Dilutive effect of warrants	3,506,336	—
Diluted weighted average number of shares	76,623,849	70,068,505

The warrants are those issued to Barclays in conjunction with the extension of the UK bank facilities (See Note 20)

Our Business

Our Governance

Our Financials

Notes to the Consolidated Financial Statements

9 **Earnings per ordinary share** continued

In 2009, the diluted weighted average number of shares is equivalent to the basic weighted average number of shares, as a dilution would reduce the loss per share

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

The weighted average number of shares excludes the shares owned by the API Group plc No 2 Employee Benefit Trust (58,221, 2009 58,221)

In the current year the basic and diluted earnings per share are equivalent, within one decimal place In 2009, the basic and diluted losses per share are equivalent as the average number of shares is the same in both cases

Earnings/(loss) per ordinary share

	Year ended 31 March 2010 Pence	Year ended 31 March 2009 Pence
Continuing operations		
Basic and diluted earnings/(loss) per share	0 2	(3 7)
Discontinued operations		
Basic and diluted earnings/(loss) per share	—	(1 8)
Total		
Basic and diluted earnings/(loss) per share	0 2	(5 5)

10 Property, plant and equipment

	Freehold land £'000	Freehold buildings £'000	Long leasehold land & buildings £'000	Plant & machinery £'000	Office and IT equipment £'000	Total £'000
Cost						
At 1 April 2008	1,910	6,740	5,646	54,073	7,666	76,035
Additions	—	—	3,912	543	176	4,631
Disposals	(136)	(472)	(1,151)	(1,957)	(73)	(3,789)
Foreign currency adjustment	607	2,209	2,243	8,481	1,083	14,623
At 31 March 2009	2,381	8,477	10,650	61,140	8,852	91,500
Additions	—	—	18	476	435	929
Disposals	—	—	(146)	(268)	(2,320)	(2,734)
Foreign currency adjustment	(116)	(423)	(492)	(1,524)	(106)	(2,661)
At 31 March 2010	**2,265**	**8,054**	**10,030**	**59,824**	**6,861**	**87,034**
Depreciation						
At 1 April 2008	—	2,067	1,299	36,388	5,380	45,134
Provided during the period	—	236	478	2,701	490	3,905
Disposals	—	(544)	(763)	(1,481)	(73)	(2,861)
Foreign currency adjustment	—	1,226	194	4,567	993	6,980
At 31 March 2009	—	2,985	1,208	42,175	6,790	53,158
Provided during the year	—	229	577	2,608	406	3,820
Impairment during the period (see note 12)	—	—	—	5,083	—	5,083
Disposals	—	—	(146)	(228)	(2,320)	(2,694)
Foreign currency adjustment	—	(224)	(8)	(780)	(93)	(1,105)
At 31 March 2010	**—**	**2,990**	**1,631**	**48,858**	**4,783**	**58,262**
Net book value at 31 March 2010	**2,265**	**5,064**	**8,399**	**10,966**	**2,078**	**28,772**
Net book value at 31 March 2009	2,381	5,492	9,442	18,965	2,062	38,342
Net book value at 31 March 2008	1,910	4,673	4,347	17,685	2,286	30,901

Construction work-in-progress

Included in the cost of property, plant and equipment is £nil (2009 £494,000, 2008 £666,000) relating to construction work-in-progress

Notes to the Consolidated Financial Statements

11 Intangible assets — goodwill

	£'000
Cost	
At 31 March 2008, 31 March 2009 and 31 March 2010	6,480
Impairment	
At 31 March 2008	—
Impairment during the period to 31 March 2009 (see note 12)	1,292
At 31 March 2009 and 31 March 2010	1,292
Carrying value	
At 31 March 2008	6,480
At 31 March 2009 and 31 March 2010	**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

	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000
Foils — Europe	**2,538**	2,538	2,538
Foils — Holographics	**1,686**	1,686	1,686
Foils — China	—	—	1,292
Foils — Germany	**964**	964	964
	5,188	5,188	6,480

12 Impairment of non-financial assets

The Directors have reviewed impairment tests at 31 March 2010 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,
- Foils — Holographics,
- Foils — China, and
- Foils — Germany

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 11

The recoverable amount of each of the cash-generating units has been determined on a value in use basis Value in use is calculated as the net present value of post tax cash flows based on budgets for the year ended 31 March 2011, which have been approved by the Board and unapproved financial projections prepared for the following year The cash flows have been extrapolated for a period of 15 years using the key assumptions of long-term growth rates (3% in Europe and the US and 5% in China) and cost inflation (3% for all locations) applicable to the location of each cash-generating unit A discount rate of 10 0% (2009 12 5%) has been used

Following the last two years of significant losses and based on the forward assumptions for the cash flows of the China business, the carrying value of the property, plant and equipment could not be justified compared to the value in use calculations As the fair value less costs to sell are in excess of the value in use calculations, the fair value has been used As a result, the value of property, plant and equipment of the China business (£14 8m) has been written down by £5 1m at 31 March 2010 A reduction in the minority interest representing 49% of this impairment has also been recorded (£2 5m) As the fair value has been used to assess the amount of the impairment no reasonable possible changes to the assumptions used in the value in use calculations would lead to a change in the value of the impairment

For all other businesses, 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

Under assumptions used for the cash flows for the China business at 31 March 2009, the carrying value of goodwill of £1 3m could not be justified and was fully impaired

13 Trade and other receivables

	31 March 2010 £'000	31 March 2009 £'000
Amounts falling due within one year		
Trade receivables	14,436	12,368
Prepayments	1,094	1,063
Other debtors	1,167	1,061
	16,697	14,492
Amounts falling due after more than one year		
Other debtors	134	209

Trade receivables are non-interest bearing and are generally on between 30 and 90 days' terms and are shown net of any provisions for impairment At 31 March 2010, trade receivables at a nominal value of £384,000 (2009 £844,000) were impaired and fully provided for Movements in the provision for impairment of receivables were as follows

	31 March 2010 £'000	31 March 2009 £'000
Opening provision	844	358
Charge for the year	97	363
Amounts written off	(446)	(42)
Unused amounts reversed	(53)	(2)
Foreign currency adjustment	(58)	167
Closing provision	384	844

Of the total trade receivables shown above, £2,057,000 (2009 £3,337,000) are past due but not impaired An analysis of these trade receivables is as follows

	31 March 2010 £'000	31 March 2009 £'000
0–30 days overdue	1,011	2,172
31–60 days overdue	481	508
61–90 days overdue	223	329
91+ days overdue	342	328
	2,057	3,337

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 The Group has bought credit insurance for its main operating companies in the past and whilst no insurance cover was in place at the financial year end, the Group continues to monitor options to re-enter the insurance market when market premiums provide better value for money

Notes to the Consolidated Financial Statements

14 Inventories

	31 March 2010 £'000	31 March 2009 £'000
Raw materials	3,352	3,631
Work in progress	2,083	2,222
Finished goods	7,675	6,846
	13,110	12,699

15 Cash and short-term deposits

Cash at bank is held at major banks with high quality credit ratings

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

	31 March 2010 £'000	31 March 2009 £ 000
Cash at bank and in hand	1,041	2,234
Bank overdrafts (note 17)	(1,587)	(2,083)
	(546)	151

16 Trade and other payables

	31 March 2010 £'000	31 March 2009 £'000
Trade payables	12,253	12,068
Other payables	6,191	8,300
	18,444	20,368

17 Financial liabilities

	31 March 2010 £'000	31 March 2009 £'000
Current		
Bank overdrafts	1,587	2,083
Current instalments due on bank loans	3,679	3,394
Interest rate swap	150	270
	5,416	5,747
Non-current		
Non-current instalments due on bank loans	14,302	11,449
Interest rate swap	102	90
	14,404	11 539

In the UK, the Group has taken out an amortising interest rate swap contract on borrowings of £5m as at 31 March 2010 This swaps floating rate borrowings at 1 month LIBOR with a fixed rate of 6 08% until 1 August 2010 A further interest rate swap for a fixed amount of £5m has been taken out for the period 1 August 2010 to 1 November 2012 This swaps floating rate borrowings at 1 month LIBOR with a fixed rate of 2 96%

Bank loans

Bank loans comprise the following

	31 March 2010 £'000	31 March 2009 £'000
Term loans (UK)	14,372	12 314
Term loans (China)	3,380	2,042
Term loan (US)	229	487
	17,981	14 843
Less current instalments due on bank loans	(3,679)	(3,394)
	14,302	11,449

The Group's banking facilities comprise

UK facilities

Following their renewal in November 2009, UK facilities comprise a term loan of £7 0m repayable between October 2010 and July 2013 (2009 £5 5m repayable between July 2009 and July 2010) and term loans of £7 4m repayable in July 2013 (2009 £7 5m repayable in July 2010) At 31 March 2010 £3 65m (2009 £7 5m) of the term loans were denominated in US Dollars In addition there is a multi option overdraft facility of £3 5m (2009 £5 5m) Interest cost for the period averaged 5 0% (2009 2 35%) above LIBOR for term loans and 3 8% (2009 2 35%) above Base Rate for overdrafts

China facilities

Under a facility of RMB 42 5m, fixed term loans totalling RMB 35m are outstanding at 31 March 2010 (2009 RMB 20m) These loans are all repayable within 12 months The rate of interest is fixed at 4 8%

US facilities

At 31 March 2010, US facilities comprised an amortising loan of $0 35m (2009 $0 7m) repayable within 12 months and an overdraft facility of up to $5 0m (2009 $5 0m), depending on the level of working capital Interest rates for the period were 4 0% (2009 0 75%) above prime for the term loan and 3 5% (2009 0 5%) above prime for the overdraft Since the year-end, the borrowings under these facilities have been repaid and replaced with a new facility, comprising a $2 1m amortising loan repayable by November 2013 and an overdraft facility of up to $5 5m depending on the level of working capital

In May 2010, following the completion of US refinancing, $3 75m was repatriated to the UK Parent Company These funds have been partly used to prepay a portion of the higher margin loans on the main UK bank facilities, reducing total Group interest charges going forward and providing increased cash and covenant headroom

Notes to the Consolidated Financial Statements

18 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 Non contributory schemes are operated in China and for members of the North New Jersey Teamsters 11 Union employed at the Company's site in Rahway, New Jersey The Rahway scheme for union members is a multi-employer defined benefit scheme which is accounted for as a defined contribution 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 2010

	United Kingdom £'000	United States £'000	Total £ 000
Equities	38,904	747	39,651
Bonds	29,173	978	30,151
Property	—	54	54
Cash	65	—	65
Fair value of scheme assets	68,142	1,779	69,921
Present value of scheme liabilities	(83,863)	(2,464)	(86,327)
Net pension liability	(15,721)	(685)	(16,406)

At 31 March 2009

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

18 Pensions and other post-retirement benefits continued

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

Year ended 31 March 2010

	United Kingdom £'000	United States £'000	Total £'000
Recognised in the Income Statement			
Recognised in arriving at operating profit	—	—	—
Expected return on scheme assets	(3,450)	(91)	(3,541)
Interest cost on scheme liabilities	4,096	136	4,232
Scheme expenses borne by employers	447	—	447
Other finance cost	1,093	45	1,138
Taken to the Statement of Comprehensive Income			
Actual return on scheme assets	16,222	389	16,611
Less expected return on scheme assets	(3,450)	(91)	(3,541)
	12,772	298	13,070
Other actuarial gains and losses	(21,829)	(326)	(22,155)
Actuarial gains and losses recognised in the Statement of Comprehensive Income	(9,057)	(28)	(9,085)

Year ended 31 March 2009

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

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

Notes to the Consolidated Financial Statements

18 Pensions and other post-retirement benefits continued

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

	United Kingdom		United States	
	31 March 2010 %	31 March 2009 %	31 March 2010 %	31 March 2009 %
Main assumptions				
Rate of salary increases	N/A	2 80	N/A	N/A
Rate of increase in pensions in payment	3 50	2 60	3 00	3 00
Rate of increase to deferred pensions	3 30	2 60	3 00	3 00
Inflation	3 50	2 80	3 00	3 00
Discount rate	5 65	6 85	5 50	7 00
Expected rates of return on scheme assets	6 50	6 50	7 50	7 75
Equities	7 50	7 50		
Bonds	5 40	5 40		
Post-retirement mortality (in years)				
Current pensioners at 65 — male	19 3	19 3		
Current pensioners at 65 — female	21 9	21 5		
Future pensioners at 65 — male	20 9	20 3		
Future pensioners at 65 — female	23 4	22 3		

In the UK it is assumed that mortality will be in line with nationally published PA00 yob tables incorporating the long cohort with a 0 75% underpin and adjusted to take account of the demographic profile of members (170%) In the US mortality assumptions are in accordance with the 2010 IRS Static Mortality tables

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

The discount rate for the UK scheme has been set by reference to the iBoxx AA 15-year index The rate has been modified to take account of the duration of the scheme, which is approximately 17 years A 0 1% variation in the discount rate would result in a change in the present value of the scheme liabilities of approximately 2% or £1 5m

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 expected contributions for the year end 31 March 2011 are £400,000

18 **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 2008	68,178	1,614	69,792
Current service cost	363	—	363
Contributions by employees	336	—	336
Gains on curtailment	(135)	—	(135)
Interest cost	4,335	106	4,441
Benefits paid	(3,609)	(66)	(3,675)
Actuarial gains and losses	(7,838)	(61)	(7,899)
Foreign currency differences	—	617	617
At 31 March 2009	61,630	2,210	63,840
Interest cost	4,096	136	4,232
Benefits paid	(3,692)	(104)	(3,796)
Actuarial gains and losses	21,829	326	22,155
Foreign currency differences	—	(103)	(103)
At 31 March 2010	**83,863**	**2,465**	**86,328**

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 2008	64,851	1,459	66,310
Expected return on plan assets	4,138	123	4,261
Employer contributions	885	—	885
Contributions by employees	336	—	336
Benefits paid	(3,609)	(66)	(3,675)
Actuarial gains and losses	(11,289)	(536)	(11,825)
Foreign currency differences	—	467	467
At 31 March 2009	55,312	1,447	56,759
Expected return on plan assets	3,450	91	3,541
Employer contributions	300	106	406
Benefits paid	(3,692)	(104)	(3,796)
Actuarial gains and losses	12,772	298	13,070
Foreign currency differences	—	(59)	(59)
At 31 March 2010	**68,142**	**1,779**	**69,921**

Notes to the Consolidated Financial Statements

18 **Pensions and other post-retirement benefits** continued

History of experience gains and losses

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000	Eighteen months ended 31 March 2008 £'000	Year ended 30 Sept 2006 £'000	Year ended 30 Sept 2005 £'000
United Kingdom					
Fair value of scheme assets	**68,142**	55,312	64,851	63,145	58,882
Present value of defined benefit obligation	**(83,863)**	(61,630)	(68,178)	(73,589)	(69,080)
Deficit in the scheme	**(15,721)**	(6,318)	(3,327)	(10,444)	(10,198)
Experience adjustments arising on plan liabilities	**(21,829)**	7,838	8,946	(2,601)	(2,656)
Experience adjustments arising on plan assets	**12,772**	(11,289)	(3,191)	1,440	4,685
United States					
Fair value of scheme assets	**1,779**	1,447	1,459	1,526	1,562
Present value of defined benefit obligation	**(2,464)**	(2,210)	(1,614)	(1,961)	(1,867)
Deficit in the scheme	**(685)**	(763)	(155)	(435)	(305)
Experience adjustments arising on plan liabilities	**(326)**	61	261	(150)	(173)
Experience adjustments arising on plan assets	**299**	(536)	(80)	—	61

The cumulative amount of actuarial losses recognised since 1 October 2004 in the Group Statement of Comprehensive Income is £6,465,000 (2009 gains of £2,619,000) 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

19 **Authorised and issued share capital**

Authorised	31 March 2010 thousands	31 March 2009 thousands	31 March 2010 £'000	31 March 2009 £'000
Ordinary shares of 1p	333,869	333,869	**3,338**	3,338
Deferred shares of 24p	34,570	34,570	**8,297**	8,297
			11,635	11,635

Allotted, called up and fully paid	31 March 2010 thousands	31 March 2009 thousands	31 March 2010 £'000	31 March 2009 £'000
Ordinary shares of 1p	70,127	70,127	701	701

During the period options were granted over 1,112,883 ordinary shares Full exercise of the options granted under the Company's share option schemes would result in the issue, not later than March 2020, of a further 45,000 shares at 65 5p and 3,004,008 shares at nil cost

As part of the arrangement with Barclays for the 3 5 year UK banking facilities completed in November 2009, the Company has granted warrants in favour of Barclays over 3,506,336 ordinary shares in the capital of the Company They may be exercised in whole or in part at any time prior to 25 November 2017 at a subscription price of 1 pence per share These warrants represented 4 8% of the Company's share capital after exercise of the warrants

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 2010 are disclosed in the relevant sections of the Business Review

20 Share-based payments

Share options have been granted to employees of API Group companies through a number of share option schemes Prior to 2006 the exercise price of the options was equal to the market price of the shares on the date of the grant The share options that have been granted since 2005 are nil cost options The ability to exercise options over shares is conditional on the attainment of specified performance targets over a 3 year performance period To the extent that options vest, they lapse if they are not exercised within 10 years of the date of grant

During the year, an amount of £30,000 was charged to the income statement (2009 credit of £47,000) The 2009 credit was in respect of share-based payments to employees who subsequently resigned during the year

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

	31 March 2010 No	31 March 2010 WAEP (p)	31 March 2009 No	31 March 2009 WAEP (p)
Outstanding at beginning of year	1,949,880	1 5	1,591,812	24 1
Granted during the year	1,112,883	—	905,750	—
Expired during the year	(13,755)	—	(547,682)	(64 7)
Outstanding at end of year	3,049,008	1 0	1,949,880	1 5
Exercisable at end of year	45,000	65 5	45,000	65 5

The options granted during the year were nil cost options The performance targets for these options are based on profit performance over the vesting period In accordance with IFRS 2, the fair value of these options is based on the market price of the shares at the date of grant and excludes the impact of non-market related performance conditions The fair value of the options granted during the year was 9 0p

21 Reserves

Other reserves

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

The capital redemption reserve arose as a result of 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 a discretionary trust established in 1997 to facilitate the operation of the Company executive share option schemes At 31 March 2010 and 31 March 2009 the trust held 58,221 shares at an average cost of £4 27 per share and a total cost of £251,000

Foreign exchange reserve

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

The movement in the foreign exchange reserve is analysed as follows

	Shareholders' equity £'000	Minority interest £'000	Total equity £'000
Exchange differences arising from the translation of net assets of subsidiaries	(878)	(382)	(1,260)
Gain arising on hedge against US dollar net assets	695	—	695
	(183)	(382)	(565)

Our Business

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Notes to the Consolidated Financial Statements

22 **Financial instruments**

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

Liquidity profile

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

At 31 March 2010

	Within 1 year £'000	1–2 years £'000	2–5 years £'000	Total £'000
Non-derivative financial liabilities	5,266	800	13,502	19,568
Interest on financial liabilities	1,080	1,153	1,451	3,684
Trade and other payables	18,444	—	—	18,444
Interest rate swaps	150	64	38	252
	24,940	2,017	14,991	41,948

At 31 March 2009

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

Fair values of financial assets and liabilities

The fair value of financial assets and liabilities are valued using a fair value hierarchy in accordance with IFRS 7 The fair values of the financial assets and liabilities are equivalent to their book values

Credit risk

The Group's credit risk relates to trade receivables (see note 13)

Equity price risk

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

22 Financial instruments continued

Interest rate risk

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

	Increase in interest rate	Effect on profit before tax £ 000
2010	+1%	128
2009	+1%	118

Foreign currency risk

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

	Increase/ decrease in sterling vs US dollar/euro	Effect on profit before tax £ 000
2010		
US dollar/sterling	+10%	10
	-10%	(12)
Euro/sterling	+10%	(147)
	-10%	162
2009		
US dollar/sterling	+10%	11
	-10%	(14)
Euro/sterling	+10%	(39)
	-10%	48

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

	Increase/ decrease in sterling vs US dollar	Effect on equity £'000
2010	+10%	364
	-10%	(401)
2009	+10%	690
	-10%	(759)

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

Notes to the Consolidated Financial Statements

22 Financial instruments continued

Hedges

Cash flow hedges

During the year to 31 March 2009, the Group took out an amortising interest rate swap, maturing on 1 August 2010, whereby it receives a variable rate based on 1 month LIBOR and pays a fixed rate of 6 08% on varying notional amounts The swap is being used to hedge the exposure to changes in interest rates of its UK borrowing At 31 March 2010, the notional amount of this swap was £5m (2009 £6m) and it had a negative fair value of £107,000 (2009 £360,000) Further to the renewal of the Group's UK banking facilities in November 2009, a fixed interest rate swap of £5m has been taken out for the period 2 August 2010 to 1 November 2012 At 31 March 2010, this swap had a negative fair value of £145,000 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 There were no other cash flow hedges in place at 31 March 2010

Fair value hedges

The Group has 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 profit and loss account At 31 March 2010, there were forward contracts in place to buy sterling and sell Euros to the value of €1,650,000 The value of these contracts at the balance sheet date was not material for separate disclosure There were no outstanding forward currency contracts at 31 March 2009

Net investment hedge

During the year to 31 March 2009, the Group decided to denominate part of its UK borrowing facility in US dollars to hedge against a proportion of the net investment in its US subsidiaries At 31 March 2010, this borrowing amounted to $6,087,000 or £4,013,000 (2009 $10,879,000 or £7,590,000) A gain of £695,000 (2009 loss of £3,022,000) has been incurred on the retranslation of this borrowing This has been transferred to equity to offset movements arising on the translation of the net investment in these subsidiaries

23 Capital commitments

	31 March 2010 £'000	31 March 2009 £'000
Contracted amounts not provided for in these accounts	81	—

24 Obligations under leases and hire purchase contracts

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

	31 March 2010 £'000	31 March 2009 £'000
Not later than 1 year	981	752
After 1 year but not more than 5 years	1,860	1 260
After 5 years	1,506	1,567
	4,347	3,579

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

25 Related party transactions

Compensation of key management personnel

The key management personnel comprise the 2 Executive Directors (2009 2) and the 4 Managing Directors of the business sectors (2009 3)

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Short term employee benefits	1,111	929
Post employment benefits	54	51
Share-based payments	30	13
	1,195	993

Statement of Directors' Responsibilities

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 2010 which comprise the Parent Company Balance Sheet, and the related notes 1 to 9 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 Auditors

As explained more fully in the Directors Responsibilities Statement set out on page 53, 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 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

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 2010,
- 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,
- the Parent Company financial statements are not in agreement with the accounting records and returns,
- 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 2010

Ernst & Young LLP

Colin Brown (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Manchester
2 June 2010

Company Balance Sheet

at 31 March 2010

	Note	31 March 2010 £'000	31 March 2009 £'000
Fixed assets			
Investments	2	6,211	6,218
		6,211	6,218
Current assets			
Debtors (>1 year)	3	34,731	33,723
Creditors — amounts falling due within one year	4	(1,980)	(6,087)
Net current assets		32,751	27,636
Total assets less current liabilities		38,962	33,854
Creditors — amounts falling due after more than one year	5	(14,302)	(11,449)
		24,660	22,405
Share capital and reserves			
Called up share capital	6	701	701
Share premium account	7	7,136	7,136
Other reserves	7	8,595	8,595
Profit and loss account	7	8,228	5 973
Equity Shareholders' funds		24,660	22,405

Signed on behalf of the Board

A Turner
2 June 2010

Notes to the Company Financial Statements

1 Accounting policies

Accounting convention

The Company's financial statements have been prepared under the historical cost convention except for the inclusion of certain assets which are at valuation and have been prepared in accordance with UK GAAP and with the Companies Act 2006

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

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

Investments in and loans due from subsidiaries

Investments in 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

Financial instruments

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

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

Leases

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

2 Investments

Subsidiary undertakings

	£'000
Cost	
At 31 March 2009	6,218
Disposals	(7)
At 31 March 2010	6,211

The disposals relate to dormant companies which have been struck off during the year

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

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held
API Laminates Limited†	UK	Ordinary shares	100%
API Foils Holdings Limited‡	UK	Ordinary shares	100%
API Foils Limited*†	UK	Ordinary shares	100%
API Holographics Limited*†	UK	Ordinary shares	100%
API Overseas Holdings Limited*‡	UK	Ordinary shares	100%
API (USA) Holdings Limited*‡	USA	Common and preferred stocks	100%
API Foils Inc *†	USA	Common and preferred stocks	100%
API Foils SAS*†	France	Ordinary shares	100%
API Asia Limited*‡	UK	Ordinary shares	100%
API Wing Fat Limited*‡§	Hong Kong	Ordinary shares	63 75%
Shanghai Shen Yong Stamping Foil Company Limited*†§	China	Ordinary shares	51%
API Foils Pty Limited*†	Australia	Ordinary shares	100%
API Foils New Zealand Limited*†	New Zealand	Ordinary shares	100%
API Deutschland GmbH*†	Germany	Ordinary shares	100%
API Italia srl*†	Italy	Ordinary shares	100%
API Foils Asia Limited†§	Hong Kong	Ordinary shares	100%

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

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

3 Debtors

	31 March 2010 £'000	31 March 2009 £'000
Amounts falling due after more than one year		
Amounts due from subsidiary undertakings	34,731	33,723
	34,731	33,723

Amounts due from subsidiary undertakings are stated after an impairment provision of £34,000,000 (2009 £34,000,000)

4 Creditors — amounts falling due within one year

	31 March 2010 £'000	31 March 2009 £'000
Bank overdraft	1,273	4,198
Current instalments on bank loans	70	865
Corporation tax	207	503
Accruals	430	521
	1,980	6,087

Corporation tax represents group relief payable

Notes to the Company Financial Statements

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

	31 March 2010 £'000	31 March 2009 £'000
Bank loans	14,302	11,449

6 **Share capital**

Authorised	31 March 2010 thousands	31 March 2009 thousands	31 March 2010 £'000	31 March 2009 £'000
Ordinary shares of 1p	333,869	333,869	3,338	3,338
Deferred shares of 24p	34,570	34,570	8,297	8,297
			11,635	11,635

Allotted, called up and fully paid	31 March 2010 thousands	31 March 2009 thousands	31 March 2010 £'000	31 March 2009 £'000
Ordinary shares of 1p	70,127	70,127	701	701

During the period options were granted over 1,112 883 ordinary shares Full exercise of the options granted under the Company's share option schemes would result in the issue not later than March 2020, of a further 45,000 shares at 65 5p and 3,004,008 shares at nil cost As part of the arrangement with Barclays for the new 3 5 year UK banking facilities, completed in November 2009, the Company has granted warrants in favour of Barclays over 3,506,336 ordinary shares in the capital of the Company These warrants represented 4 8% of the Company's share capital after exercise of the warrants at an exercise price of 1 pence per share

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 1 April 2008	8,998	7,136	298	8,989	25,421
Balance from profit and loss account	—	—	—	(3,016)	(3,016)
Buy back of deferred shares	(8,297)	—	8,297	—	—
Balance at 31 March 2009	701	7,136	8,595	5,973	22,405
Balance from profit and loss account	—	—	—	2,255	2,255
Balance at 31 March 2010	**701**	7,136	**8,595**	**8,228**	**24,660**

Other reserves

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

The capital redemption reserve arose as a result of 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 a discretionary trust established in 1997 to facilitate the operation of the Company executive share option schemes At 31 March 2010 and 31 March 2009 the trust held 58,221 shares at an average cost of £4 27 per share and a total cost of £251,000

8 **Profit attributable to members of the Parent Company**

A profit of £2,255 000 for the year ended 31 March 2010 (2009 loss of £3 016,000) 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 (2009 £5,000)

9 **Contingent liabilities**

The Company is party to a composite banking agreement providing unlimited guarantees between the Company and its UK subsidiaries A $2,000,000 guarantee has been provided by the Company to the bank providing facilities to a wholly owned US subsidiary Since the year-end these facilities have been replaced and the guarantee is therefore no longer in place

Financial Record

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £ 000	Eighteen months ended 31 March 2008 £ 000	Year ended 30 September 2006 £ 000	Year ended 30 September 2005 £ 000
Continuing operations					
Revenue	84,574	93,451	143 783	101 979	105,570
Operating profit before exceptional items	**864**	94	408	994	3 562
Exceptional items	**(5,976)**	4 699	(3,417)	(863)	(430)
Operating (loss)/profit	(5,112)	4,793	(3,009)	131	3,132
Net finance costs	**(3,089)**	(2,565)	(4,126)	(1,924)	(1 549)
(Loss)/profit before taxation	(8,201)	2,228	(7,135)	(1,793)	1 583
Tax (expense)/credit	**6,309**	(4,314)	407	(735)	(504)
(Loss)/profit	(1,892)	(2 086)	(6 728)	(2 528)	1,079
Discontinued operations					
Loss from discontinued operations	—	(1,298)	(1,130)	(230)	(10 149)
Loss for the year	(1,892)	(3,384)	(7,858)	(2 758)	(9 070)
Attributable to					
Profit/(loss) attributable to equity holders of the Parent	**124**	(3 861)	(7,995)	(3,453)	(9 644)
(Loss)/profit attributable to minority equity interest	**(2,016)**	477	137	695	574
Total loss for the year	(1,892)	(3 384)	(7,858)	(2,758)	(9,070)
Statistics relating to ordinary Shareholders					
Basic earnings/(loss) per ordinary share (pence) (adjusted for the bonus element of Open Offer)	0 2	(5 5)	(19 5)	(9 5)	(27 2)
Net debt (£ 000)	(18,527)	(14,692)	(17 149)	(15 523)	(6 686)
Gearing (%)	107%	56%	62%	66%	24%
Average number of employees	691	789	899	934	1 041

Financial Calendar

Annual General Meeting

To be held at 10 am, 21 July 2010 at the Royal Thames Yacht Club, Knightsbridge London SW1X 7LF

Reports

Interim Report for 6 months to 30 September 2010 circulated December 2010

Preliminary Announcement for the year ended 31 March 2011 issued June 2011

Report and Accounts for the year ended 31 March 2011 circulated June 2011

Capital Gains Tax

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

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