

API Group plc Report and Financial Statements Year ended 31 December 2017

Company number: 00169249



Contents

STRATEGIC REPORT	3
DIRECTORS' REPORT	8
INDEPENDENT AUDITOR'S REPORT	10
GROUP STATEMENT OF COMPREHENSIVE INCOME	12
GROUP STATEMENT OF FINANCIAL POSITION	13
GROUP STATEMENT OF CHANGES IN EQUITY	14
GROUP CASH FLOW STATEMENT	15
NOTES TO THE GROUP FINANCIAL STATEMENTS	16
COMPANY BALANCE SHEET	37
COMPANY STATEMENT OF CHANGES IN EQUITY	38
NOTES TO THE COMPANY FINANCIAL STATEMENTS	39

Strategic Report

The directors present their Strategic Report together with the audited financial statements for the year ended 31 December 2017.

This report has been prepared by the directors in accordance with the requirements of Section 414 of the Companies Act 2006. The company's independent auditor is required by law to report on whether the information given in the Strategic Report is consistent with the financial statements. The auditor's report is set out on page 10.

Principal activities and review of the business

Group overview of activities

API is a leading manufacturer and distributor of foils, films and laminates for use primarily in packaging for fast moving consumer goods and printed media. API's metallic, holographic and pigmented solutions provide added value options for specifiers and brand owners, visually enhancing and authenticating brands and packaging. API's products can be found across a wide variety of applications and sectors including wines, beers and spirits, tobacco, personal care, food, greeting cards, vehicle licensing and number plates.

With production operations in the UK, US and, since the end of 2016, mainland Europe (with the acquisition of a facility in Amsterdam), and a strong (owned) distribution network, API has become a trusted partner in the supply chain for many of the world's leading brands by providing creative solutions, outstanding technical support and a strong customer service ethos.

API is focussed on delivering a 'One API' brand enhancement strategy. The purpose of this strategy is to leverage the market reach of the individual business units to offer our customers a broader and more attractive package of brand enhancement solutions through one commercial interface.

The business objective is to deliver high single digit or low double digit operating margin, with a resilient financial performance founded on a competent, well trained workforce, outstanding products, strong customer service and a sustainable market position. Intergroup trade provides a further opportunity to maximise added value for the group. The business is underpinned by sustainable financing to support the business objectives.

Delivery of our objectives is dependent upon:

- delivery of brand enhancement solutions to our customer base;
- optimising our cost base and operational efficiency;
- growing volume through product development and innovation;
- superior service delivery; and
- value adding investment in additional capabilities and capacity.

Group financial review

2017 was a year of significant top line growth. Revenues during the year were £147.1m (2016: £125.5m), 17% above prior year. Key factors driving the growth were the full year impact of the 2016 acquisitions and underlying annualised sales growth at constant exchange rates of 5.6% driven by Vacuum Metallized Pigment foil sales in North America and service driven sales growth in both the Italian and UK foils businesses.

Gross profit in 2017 was 20.3% (2016: 21.5%). Margin performance was impacted by increasing input costs, particularly across solvent grades albeit partly recovered through sales price increases. The reduction in margin percentage also reflected the dilutional impact at a gross profit level of additional lamination facilities on the overall margins of the group. Revenue comprised 64% of laminates business in 2017 (2016: 61%).

Operating profit before exceptional items was £3.7m (2016: £4.0m), a solid performance in the context of the level of reconfiguration and integration activity being undertaken by the API business during the year.

Loss before tax was £1.2m (2016: profit before tax £2.5m) which reflected the drop through of exceptional costs of £3.4m incurred during the year, see further details below (2016: £0.5m).

The tax charge for the period was £0.7m (2016: £1.1m).

Cash generated by operations was £8.7m (2016: £7.6m) which included a reduction in working capital of £4.8m. Cash outflows resulting from capital expenditure amounted to £6.8m with the majority of expenditure relating to the reconfiguration of the North American foils manufacturing base.

Exceptionals

Total exceptional costs in the 2017 accounts were £3.4m. The significant items comprising the balance are detailed below.

In January 2017 the Rahway property was sold realising a profit on sale of £3.1m and in May 2017 the Salford property was sold realising a profit on sale of £1.2m. Both of these properties had been disclosed as 'assets classified as held for sale' at 31 December 2016. Both property sales delivered cash to fund the reconfiguration and restructuring programmes.

Strategic Report

In the year ended 31 December 2017 costs of £2.1m were incurred for the consolidation of US manufacturing operations (expected to conclude in 2018). This includes estimated employee termination costs of £0.8m which are expected to be paid out in 2018.

Due to the expected closure of the Rahway site in 2018, a discounted withdrawal liability has been provided for in the year ended 31 December 2017 in respect of the pension scheme of £3.4m.

The closure of the foils sales company in Germany was announced in November 2017. Costs to close the German operation amounted to £0.6m. In addition, the goodwill of £1.0m relating to Foils Germany was provided for in the year ended 31 December 2017.

In the year ended 31 December 2017 costs of £0.4m were incurred for the integration of API Netherlands BV; that integration is expected to be completed by the end of 2018.

Net Debt and Refinancing

Net debt (other financial liabilities excluding forward foreign exchange contracts less cash at bank and in hand) was £23.3m at December 2017 (December 2016 £20.9m). This increase in net debt reflected investment activity to support the reconfiguration activity across the business.

On 14 November 2017, Steel Partners Holdings L.P., through certain consolidated subsidiaries (collectively, 'Borrowers') entered into a new five-year \$600 million revolving credit facility ('Credit Agreement') with PNC Bank NA ('PNC'). Cedar 2015 Limited, the parent undertaking of API Group plc and API Americas Inc are both Borrowers under that finance facility and the UK facilities are now provided through Cedar 2015 Limited.

UK Defined benefit pension scheme

During 2017 the business concluded the triennial actuarial valuation with the Trustees of the UK defined benefit scheme, the API Group Pension and Life Assurance Scheme. As part of the agreement the business agreed to continue to inject cash contributions of £0.7m per annum as part of a deficit recovery plan for the scheme.

Principal risks and uncertainties

An analysis of the principal risks and uncertainties facing the group is set out below:

Financial risks			
Area of risk	Description	Potential impact	Mitigation
Foreign currency	With operations in numerous 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 financial statements. 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.	Movements in exchange rates could have substantial favourable or adverse impacts on both the consolidated financial statements and those of individual entities. Sensitivity to movements in exchange rates is explained in note 22 to the financial statements.	The group's debt is structured to ensure that, where possible, it is held in the same territory where the operations being financed are situated. For substantial transactional exposures, it is group policy to hedge through the use of foreign exchange forward contracts. The group does not undertake any trading activity in financial instruments.
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. Sensitivity to movements in interest rates is explained in note 22 to the financial statements.	2017 refinancing secured economic rates, taking advantage of leverage and rates from ultimate parent company Steel Partners.
Credit	Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed.	Non-payment by customers resulting in bad debts could have an adverse impact on the group's profitability.	Customers are assessed for financial reliability using external rating agencies. Secure payment terms are frequently used in riskier geographies or for riskier customers. During the year the group implemented a group wide credit insurance policy and a consistent insurer across the business.
Liquidity	Liquidity risk refers to the risk that the group may not be able to settle or meet its financial obligations on time or at a reasonable price. This will arise from mismatches between cash inflows and outflows from the business.	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.	This risk is monitored through regular short-term cash flow forecasting, trading forecasts from the businesses and annual budgets agreed by the ultimate parent company, Steel Partners, before the start of each financial year. Regular updates on debt are provided to the ultimate parent company and drawdowns/repayment of funding are made as required to ensure all daily transactional requirements are met.
Defined benefit pension schemes	The group provides final salary retirement benefits for a number of its former and current employees through pension schemes in the UK and US. Contribution requirements may vary depending on investment performance, mortality rates, inflation levels and changes in other actuarial assumptions.	While these schemes are closed to future service accrual, actuarial valuations and funding assessments may lead to demands for higher top-up contributions from the group.	The group, in conjunction with the trustees of the pension schemes, actively monitors the performance of the schemes' assets and takes appropriate actions to ensure these are maximised and also that the obligations under the schemes are mitigated where possible.

Operational risks			
Area of risk	Description	Potential impact	Mitigation
Markets	A key risk faced by the business is a reduction in levels of demand by customers. In general, customers are unencumbered by formal contractual commitments and provide limited visibility of future volume requirements. Ultimately, order levels depend on rates of consumption several stages removed from the group's point of sale which, when combined with the effects of confidence and decision making by multiple parties within the supply chain, are difficult to predict.	The group's cost base is inevitably somewhat inelastic and financial results are therefore difficult to insulate from any sharp or prolonged downturn in market activity.	The group constantly strives to adapt its operations to prevailing demand. Management prepares monthly forecasts and carries out regular business reviews to enable it to react to movements in demand and take remedial action as quickly as possible.
Commercial relationships	The business relies on a small number of key customers and supply contracts for a significant proportion of its turnover.	Any slump in the fortunes of major customers or lack of success in maintaining or replacing existing major supply positions could have a materially adverse impact on the group's operating results.	The group aims to build long-term relationships with major end-users of its products, as well as continuing to provide a high value of quality and service to its direct customers. There is continuing focus on diversifying the customer base to reduce reliance on a few major customers, evidence of this resulting from the recent acquisitions.
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.	The group has strategies in place to expand its operations into other regions both through the creation of directly owned distribution hubs or developing relationships with third-party distributors. Through its relationships with Global brands the supply routes increasingly extend beyond Western economies.
Input costs	A significant proportion of the group's raw material and conversion costs are affected by the price of oil and gas and the dynamics of particular commodity supply sectors. It is difficult to insulate input costs from volatility in the price of these commodities.	A significant increase in raw material input costs could reduce margins as the group could also face challenges in passing higher costs through to customers due to competitive pressures in most markets.	The group monitors the prices of raw materials and utilities and seeks to recover impacts of raw material where possible.
Health and safety	Due to the nature of its operations, the group is exposed to a wide range of health and safety risks, including the potential for serious fires and explosions.	As well as the risk of injury or loss of life, failure to properly manage and control these risks could lead to the suspension or withdrawal of operating consents by enforcement authorities, corporate prosecution or the loss of productive capacity through damage to equipment or facilities. There is the potential for significant adverse disruption to the group's activities and financial consequences which may not be wholly covered by insurance.	Health and safety is given high priority by the group's management and is monitored closely by the board. An active programme is in place to control exposure and minimise the fire and explosion risk. In addition, management works closely with insurers on the prevention of property loss and business interruption.
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.	Failure to meet required standards could lead to the suspension or withdrawal of operating consents by enforcement authorities or financial and reputational loss arising from corporate prosecution.	API is aware of the impact the group's operations can have on the environment. The risk of new incidents is contained by means of strict operating procedures. Past exposures are remedied when required.

Strategic Report

Future developments

The restructuring and reconfiguration activity prevalent in 2017 is expected to reach conclusion in 2018 with both the completion of the transition to the North American Foils manufacturing footprint and the closure of the German Foils distribution hub. Underlying trading conditions remain challenging as businesses along the case manufacturing, erection and packing supply chain seek to internalise product wherever possible to both protect and enhance margins. In contrast, the size of the packaging market available to ourselves with the product portfolio enhanced by the recent acquisitions provides access to a number of major opportunities for the API business to continue to demonstrate strong organic growth (with the working capital and capital requirements to fund this growth supported by the recent refinancing).

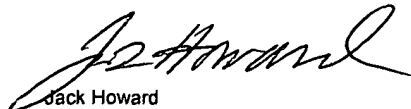
As a net exporter to the European Union, Brexit announcements continued to be monitored closely for any potential impact upon the business.

Key financial measures

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Total revenue	147.1	125.5
Operating profit before exceptional items	3.7	4.0
EBITDA before exceptional items	6.7	6.8
Working capital turnover	8.4	8.5
Cash generated from / (absorbed by) operations	8.7	7.6

As reported above total revenue of £147.1m reflects both the full year benefit of the 2016 acquisitions and organic growth in foils products. The API business has maintained operating profit levels at similar levels to 2016 despite facing the challenges from integrating 2 businesses and managing both North American and European foil restructuring programmes. Cash generated is above that achieved in 2016.

By order of the board



Jack Howard
Director
17 April 2018

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2017.

Result and dividends

The group loss for the year ended 31 December 2017 amounted to £1,930,000 (2016: profit of £1,380,000). The directors do not recommend the payment of a final dividend (2016: £nil).

Events since the date of the statement of financial position

There are no events since 31 December 2017 that require disclosure in these financial statements.

Directors

The directors who served on the board of the company during the year to 31 December 2017 were:

Jack Lawrence Howard
COSNI LLC

Share capital

As at 31 December 2017, the company's issued share capital comprised 76,748,730 ordinary shares of 1p each. Details of the company's share capital can be found in note 19 to the financial statements.

Directors' shareholdings

No directors who held office at the end of the financial period reported having any interests in the ordinary shares of the company as at 31 December 2017.

Safety, health and the environment

The group's first priority in the workplace is the health, safety and welfare of its employees and those affected by its operations. API has a good health and safety record and a culture of safety, which aims for continuous improvement, is deeply embedded within the group.

The group's SHE policy has been designed to provide a framework and guidelines for sites to ensure that they meet or exceed all applicable legal and regulatory requirements, to share best practice and to maintain suitably active and directed management programmes at site level. There is a clear emphasis on the responsibilities of local management teams, with oversight through line management and support from group resources.

Employees

The board promotes good relationships and communication with employees. Steps are taken to inform employees of the circumstances facing the business and its progress and plans, with the aim of promoting a sense of common endeavour towards the group's business objectives as a whole.

The group encourages consultation and communication at site level and employees have access to senior management so that their views can be taken into account when making decisions which are likely to affect their interests. Communication with employees includes updates on staff notice boards, communications by email and team meetings. Information, including the latest news relating to the group's business, is also made available on the company's intranet and website.

Each site and the group's central services team has access to an HR advisor who is available to address any concerns or questions an employee may have on a strictly confidential basis. Each HR advisor reports to the VP of Legal & HR of the group.

The group has a whistleblowing policy in place to enable and encourage employees, regardless of seniority, to bring matters relating to suspected wrongdoing or dangers at work to the board's attention. The whistleblowing policy forms part of the employee handbook and is also available for employees to access on the company's intranet. Arrangements are in place for proportionate and independent investigation of any concerns or allegations and for appropriate follow-up action, when required.

Equal opportunities

API is an equal opportunities employer. Both employment (including recruitment) policy and practice in the group are based on non-discrimination and equal opportunity irrespective of age, disability, race, religion or belief, gender, sexual orientation, gender re-assignment, colour, nationality, ethnic or national origin and marital or civil partner status. The group's equal opportunities policy forms part of the group's employee handbook and is also available for employees to access on the group's intranet.

The group endeavours to give full and fair consideration to the possibility of employing disabled people wherever a vacancy arises and is committed to making reasonable adjustments whenever required. Disabled employees have the same opportunities as other employees in relation to training, career development and promotion.

Training and development

Training and development of all employees is given due priority. The assessment of training and development needs is led by the relevant HR advisor and programmes are coordinated primarily at a business unit level. Senior management and staff participate in a performance management programme involving annual objective-setting and appraisal.

Directors' Report

Research and development

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

Charitable and political donations

Charitable donations made by the group during the year amounted to £301 (2016: £2,014). No political donations were made (2016: £nil).

Going concern

The principal risks and uncertainties that could impact on the future development of the group's operating and financial performance are outlined in the Strategic Report. The group's main borrowing facilities in the UK and the US are committed until November 2022.

The directors are satisfied, on the basis of the group's latest financial projections and facilities available, that the group has adequate financial resources to continue to operate for the foreseeable future. The directors therefore continue to adopt the going concern basis in preparing these financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 period. Under that law, the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

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 group and the company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- for the group financial statements, state whether IFRSs as adopted by the European Union have been followed, subject to any material departure disclosed and explained in the financial statements;
- for the company financial statements, 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.

Articles of Association

The company's Articles of Association may only be amended by special resolution approved at a general meeting of the shareholders. A copy of the Articles of Association is available for inspection at the company's registered office.

Disclosure of information to auditors

All of the current directors have taken all the steps they ought to have taken to make themselves aware of any information needed by the company's auditor for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant information of which the auditors are unaware.

Auditors

BDO LLP have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board



Claire Chadwick
Company Secretary
17 April 2018

Registered office:
Second Avenue, Poynton Industrial Estate
Poynton, Cheshire SK12 1ND

INDEPENDENT AUDITOR'S REPORT

to the members of API Group plc

Opinion

We have audited the financial statements of API Group plc ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2017 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Changes in Equity, the Group Cashflow Statement, the Company Balance Sheet, the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial reporting framework that has been applied in preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's result for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are described in the Auditor's responsibilities for the audit of financial statements section of our report. We are independent of the Group and the Parent Company in accordance with ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other financial information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Stuart Wood (Senior Statutory Auditor)
For and on behalf of BDO, LLP, statutory auditor
Manchester
United Kingdom
20 April 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

GROUP INCOME STATEMENT

for the year ended 31 December 2017

	Note	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Revenue	2	147,118	125,468
Cost of sales		(117,303)	(98,445)
Gross profit		29,815	27,023
Distribution costs		(5,661)	(4,598)
Administrative expenses (excluding exceptional items)		(20,462)	(18,430)
Operating profit before exceptional items		3,692	3,995
Exceptional items	5	(3,352)	(470)
Operating profit		340	3,525
Finance revenue	6	—	—
Finance costs	6	(1,550)	(1,048)
Net finance costs		(1,550)	(1,048)
(Loss) / profit before taxation		(1,210)	2,477
Tax expense	7	(720)	(1,097)
(Loss) / profit for the year		(1,930)	1,380

All profits / (losses) are attributable to equity holders of the parent and relate to continuing operations.

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Note	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
(Loss) / profit for the year		(1,930)	1,380
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on retranslation of foreign operations		(683)	2,220
Change in fair value of effective cash flow hedges		692	(933)
Items not reclassified to profit or loss in subsequent periods:			
Re-measurement gains / (losses) on defined benefit pension schemes	18	5,665	(9,019)
Tax on items relating to components of other comprehensive income		(1,155)	1,607
Other comprehensive income / (expense) for the year, net of tax		4,519	(6,125)
Total comprehensive income / (expense) for the year attributable to equity holders of the parent		2,589	(4,745)

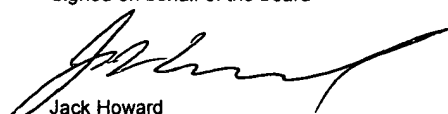
The notes on pages 16 to 36 form part of these financial statements.

GROUP STATEMENT OF FINANCIAL POSITION

at 31 December 2017

	Note	31 December 2017 £'000	31 December 2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	31,989	28,418
Intangible assets	10	10,847	12,595
Deferred tax assets	7	1,560	2,795
		44,396	43,808
Current assets			
Assets classified as held for sale	9	—	4,374
Trade and other receivables	13	28,054	24,004
Income tax receivable		999	—
Inventories	14	17,036	15,955
Derivative financial assets	22	124	74
Cash and cash equivalents	15	4,667	4,139
		50,880	48,546
Total assets		95,276	92,354
Liabilities			
Current liabilities			
Trade and other payables	16	37,876	24,434
Other financial liabilities	17	1,363	3,242
Income tax payable		406	368
		39,645	28,044
Non-current liabilities			
Trade and other payables	16	—	1,707
Other financial liabilities	17	16,250	22,660
Deferred tax liabilities	7	215	156
Deficit on defined benefit pension schemes	18	12,586	15,796
		29,051	40,319
Total liabilities		68,696	68,363
Net assets		26,580	23,991
Equity			
Called up share capital	19	767	767
Share premium		7,136	7,136
Other reserves	21	9,415	9,415
Foreign exchange reserve	21	1,966	2,649
Retained profit		7,296	4,024
Equity shareholders' funds		26,580	23,991

Signed on behalf of the board



Jack Howard
Director
17 April 2018

Company number: 00169249

The notes on pages 16 to 36 form part of these financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Equity share capital £'000	Share premium £'000	Other reserves £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
At 31 December 2015	767	7,136	9,415	429	10,989	28,736
Profit for the year	—	—	—	—	1,380	1,380
Other comprehensive income:						
Exchange differences on retranslation of foreign operations	—	—	—	2,220	—	2,220
Change in fair value of effective cash flow hedges	—	—	—	—	(933)	(933)
Re-measurement losses on defined benefit pension schemes	—	—	—	—	(9,019)	(9,019)
Tax on items relating to components of other comprehensive income	—	—	—	—	1,607	1,607
Total comprehensive income for the year	—	—	—	2,220	(6,965)	(4,745)
At 31 December 2016	767	7,136	9,415	2,649	4,024	23,991
Loss for the year	—	—	—	—	(1,930)	(1,930)
Other comprehensive income:						
Exchange differences on retranslation of foreign operations	—	—	—	(683)	—	(683)
Change in fair value of effective cash flow hedges	—	—	—	—	692	692
Re-measurement losses on defined benefit pension schemes	—	—	—	—	5,665	5,665
Tax on items relating to components of other comprehensive income	—	—	—	—	(1,155)	(1,155)
Total comprehensive income for the year	—	—	—	(683)	3,272	2,589
At 31 December 2017	767	7,136	9,415	1,966	7,296	26,580

For the years ended 31 December 2017 and 31 December 2016, there was no interim or final dividend.

The notes on pages 16 to 36 form part of these financial statements.

GROUP CASH FLOW STATEMENT

for the year ended 31 December 2017

	Note	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Operating activities			
Group (loss) / profit after tax		(1,930)	1,380
Adjustments to reconcile group profit / (loss) after tax to net cash flow from operating activities:			
Tax expense		720	1,097
Net finance costs		1,549	1,048
Depreciation of property, plant and equipment		3,021	2,818
(Profit) / loss on disposal of property, plant and equipment		(4,124)	198
Profit on disposal of security holographics		—	(1,224)
Goodwill impairment		964	59
Amortisation of intangible fixed assets		457	119
Movement in fair value foreign exchange contracts		(68)	41
Withdrawal liability from multi-employer pension scheme		3,365	—
Increase in inventories		(1,314)	(855)
Increase in trade and other receivables		(4,884)	(898)
Increase in trade and other payables		10,960	3,852
Cash generated from / (absorbed by) operations		8,716	7,635
Interest paid		(1,138)	(727)
Pension contributions and scheme expenses paid		(1,090)	(1,043)
Income taxes paid		(1,587)	(665)
Net cash flow from operating activities		4,901	5,200
Investing activities			
Interest received		—	—
Purchase of property, plant and equipment		(6,844)	(1,737)
Purchase of Laminates Americas		—	(10,725)
Purchase of Amsterdam Metallised Products		—	(4,245)
Sale of Security Holographics		—	5,124
Sale of property, plant and equipment		8,738	—
Net cash flow used in investing activities		1,894	(11,583)
Financing activities			
New borrowings		17,062	15,388
Repayment of loans		(22,617)	(8,038)
Repayment of finance leases		(631)	(611)
Net cash flow generated from financing activities		(6,186)	6,739
Increase / (decrease) in cash and cash equivalents		609	356
Effect of exchange rates on cash and cash equivalents		(84)	186
Cash and cash equivalents at the beginning of the year		3,460	2,918
Cash and cash equivalents at the end of the year	15	3,985	3,460

The notes on pages 16 to 36 form part of these financial statements.

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. Group accounting policies

Authorisation of financial statements

The group's financial statements for the year ended 31 December 2017 were authorised for issue by the board of directors on 17 April 2018 and the statement of financial position was signed on the board's behalf by Jack Howard, director. API Group plc is a public limited company incorporated and domiciled in England and Wales.

Basis of preparation and statement of compliance with IFRS

The group's financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the group for the year ended 31 December 2017 and applied in accordance with the Companies Act 2006. The group has applied optional exemptions available to it under IFRS 1.

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

Going concern

The directors are satisfied, on the basis of the group's latest financial projections and facilities available, that the group has adequate financial resources to continue to operate for the foreseeable future. The directors therefore continue to adopt the going concern basis in preparing these financial statements.

Changes in accounting policies

In the preparation of these group financial statements, the group followed the same accounting policies and methods of computation as compared with those applied in the previous period.

Accounting standards adopted in the period

There are no new accounting standards, amendments to existing standards or interpretations, effective from 1 January 2017, which have had a material impact on the group.

New standards, amendments and interpretations issued but not effective or early adopted by the group

The following standards have been issued but are not yet effective and have not been early adopted by the group:

	Effective date
IFRS 9 – Financial Instruments	1 January 2018
IFRS 15 – Revenue from Contracts with Customers	1 January 2018
IFRS 16 – Leases	1 January 2019

IFRS 9 – Financial Instruments introduces (i) new requirements for the classification and measurement of financial assets and liabilities (ii) a new model for recognising provisions based on expected credit losses and (iii) simplified hedge accounting by aligning hedge accounting more closely with an entities risk management methodology. The entities most affected by IFRS 9 are financial institutions.

IFRS 15 – Revenue from Contracts with Customers defines a new five-step model to recognise revenue from customer contracts. The Group has undertaken a review of the main types of commercial arrangements used with customers under this model and has initially concluded that the application of IFRS 15 should not have a material impact on the consolidated results or financial position.

IFRS 16 – Leases is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements. It will result in most of the Group's existing operating leases being accounted for similarly to finance leases under the current IAS 17, resulting in the recognition of additional assets within property, plant and equipment in respect of the right of use of the lease assets, and additional lease liabilities. Within the income statement, lease charges will be replaced by depreciation and interest expense. The full impact of IFRS 16 is currently under consideration and it is not practical to provide a reasonable estimate of the financial effect until this review is complete.

Other than as described above, there are no new standards, amendments or interpretations which are not yet effective that would be expected to have a material impact on the group.

1. Group accounting policies (continued)

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 date of the statement of financial position and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Details regarding judgements which have the most significant effect on the amounts recognised in the financial statements are as follows:

- **Impairment of non-financial assets**
The group assesses whether there are any indicators of impairment for all non-financial assets. Goodwill is tested for impairment annually or at other times when relevant indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying values may not be recoverable. When value-in-use calculations are undertaken, management must estimate expected cash flows from the asset or cash generating unit and choose a suitable discount rate to calculate the net present value of those cash flows. Further details regarding impairment of property, plant and equipment and goodwill are given in note 11.
- **Deferred tax assets**
Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits. Further details are given in note 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, future applicable 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 financial statements comprise the financial statements of the group and its subsidiaries as at 31 December 2017. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if, and only if, the group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the group gains control until the date the group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

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 annual 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.

Interests in joint arrangements

A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and liabilities, relating to the arrangement. In relation to its interest in joint operations, the group recognises:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of the liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

1. Group accounting policies (continued)

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.

Exceptional items

Exceptional items are material items which derive from events which fall within the ordinary activities of the group and which require separate disclosure by virtue of their size or incidence.

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.

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; and
- freehold and leasehold 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.

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. Customer relationships have an estimated useful life of 7 years and are amortised on a straight line basis. Trade names have an estimated useful life of 10 years and are amortised on a straight line basis. Except as set out in the policy for research and development costs, internally generated intangible assets are not capitalised and expenditure is charged against income as it is incurred.

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.

Research and development costs

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

Leases

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

Inventories

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

1. Group accounting policies (continued)

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.

Cash and cash equivalents

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

Assets held for sale

Non-current assets and associated liabilities are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable. Assets designated as held for sale are held at the lower of carrying amount and fair value less costs to sell. Depreciation is not charged against property, plant and equipment classified as held for sale.

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 date of the statement of financial position.

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 date of the statement of financial position. The carrying value of deferred tax assets is reviewed at each date of the statement of financial position.

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

1. Group accounting policies (continued)

Pensions and other post-retirement benefits

The cost of providing benefits under the defined benefit pension plans is determined separately for each plan using the projected unit credit method.

Re-measurements are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through Other Comprehensive Income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss account on the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the group recognises restructuring related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The difference between the return on plan assets and the interest income on plan assets recognised in the income statement as other finance revenue or cost is recognised in Other Comprehensive Income.

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.

Employee Benefit Trust (the "Trust")

The company had a discretionary trust established to facilitate the operation of the company executive share option schemes and long-term incentive plans. Shares in API Group plc held by the Trust were deducted from equity at cost. Amounts received on exercise of these options were 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 was recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

Foreign currencies

The assets and liabilities of overseas subsidiary undertakings are translated into sterling at rates ruling at the date of the statement of financial position 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 date of the statement of financial position. 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 re-measured at fair value at the date of the statement of financial position. 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. Revenue analysis

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Total revenue by origin		
Laminates	66,345	65,520
Foils Europe	33,250	27,321
Foils Americas	24,669	24,596
Laminates Americas	15,909	7,115
Holographics	—	2,152
Netherlands	11,927	848
	152,100	127,552
Inter-segmental revenue		
Laminates	137	23
Foils Europe	4,129	1,103
Foils Americas	568	455
Laminates Americas	4	—
Holographics	—	503
Netherlands	144	—
	4,982	2,084
External revenue by origin		
Laminates	66,208	65,497
Foils Europe	29,121	26,218
Foils Americas	24,101	24,141
Laminates Americas	15,905	7,115
Holographics	—	1,649
Netherlands	11,783	848
Segment revenue	147,118	125,468
External revenue by destination		
UK	21,842	18,469
Rest of Europe	83,019	72,888
Americas	36,109	28,054
Asia Pacific	6,075	5,604
Africa	73	453
Segment revenue	147,118	125,468

All revenue is derived from the sale of goods. Trading between operating segments is on an arm's length basis and accounted for in a similar manner to transactions with third parties.

3. Operating profit before exceptional items

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
This is stated after charging/(crediting):		
Research and development expenditure expensed during the year	635	657
Depreciation of property, plant and equipment	3,024	2,818
Amortisation of intangible assets	455	119
Loss / (profit) on disposal of property, plant and equipment	3	198
Cost of inventories recognised as an expense	86,040	72,379
Including write-down of inventories to net realisable value	449	52
Net foreign currency differences	(124)	(440)
Operating lease payments – minimum lease payments	1,691	1,049
Fees payable to the company's auditor for audit of the company's accounts	30	30
Fees payable to the company's auditor and its associates for other services		
– audit of the UK defined benefit pension scheme	7	7
– audit of the accounts of subsidiaries	80	70

4. Staff costs and directors' emoluments

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Wages and salaries	26,307	23,298
Social security costs	2,689	2,220
Defined contribution pension costs	1,027	788
	30,023	26,306

The average monthly number of employees (excluding non-executive Directors) during the year was made up as follows:

	Year ended 31 December 2017 Number	Year ended 31 December 2016 Number
Laminates	119	122
Foils Europe	231	198
Foils Americas	147	133
Laminates Americas	51	21
Holographics	—	23
Netherlands	54	4
Central	28	27
	630	528

Directors' emoluments

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Total		
Aggregate emoluments	33	21
Highest paid director		
Aggregate emoluments	33	21

None of the current directors are members of any of the defined benefit pension schemes.

No share options were issued or exercised in the year ended 31 December 2017 (2016: nil).

5. Exceptional items

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Profit on the sale of Rahway property	3,096	—
Profit on the sale of Salford	1,208	—
Consolidation of US manufacturing operations	(2,133)	(283)
Withdrawal liability from US multi-employer pension plan	(3,365)	—
Closure of Foils Germany (excluding goodwill impairment)	(642)	—
Goodwill impairment for Foils Europe - Germany	(964)	—
Integration of API Netherlands	(405)	—
Profit on disposal of security holographics	—	1,224
Transfer of decorative holographics / closure of Salford site	—	(886)
Acquisition of Laminates Americas	—	(209)
Acquisition of API Netherlands	—	(257)
Other exceptional items	(147)	(59)
	(3,352)	(470)

Year ended 31 December 2017

In January 2017 the Rahway property was sold realising a profit on sale of £3,096,000 and in May 2017 the Salford property was sold realising a profit on sale of £1,208,000. Both of these properties had been disclosed as 'assets classified as held for sale' at 31 December 2016.

In the year ended 31 December 2017 costs of £2,133,000 were incurred for the consolidation of US manufacturing operations (expected to conclude in 2018). This includes estimated employee termination costs of £785,000 which are expected to be paid out in 2018.

A non-contributory pension scheme is operated for members of the North New Jersey Teamsters 11 Union employed at the group's site in Rahway, New Jersey. This scheme is a multi-employer defined benefit scheme which has been accounted for as a defined contribution scheme, as the information available from the scheme administrators was insufficient for it to be accounted for as a defined benefit scheme. Under the rules of the scheme the employer is not liable for any deficit of the scheme unless it withdraws from the scheme. Due to the expected closure of the Rahway site in 2018, a discounted withdrawal liability has been provided for in the year ended 31 December 2017 of £3,365,000.

The closure of the foils sales company in Germany was announced in November 2017. Costs to close the German operation amounted to £642,000. In addition, the goodwill of £964,000 relating to Foils Germany was provided for in the year ended 31 December 2017.

In the year ended 31 December 2017 costs were incurred for the integration of API Netherlands BV; that integration is expected to be completed by the end of 2018.

Year ended 31 December 2016

In the year ended 31 December 2016, the security holographics business was sold to Opsec Security Limited giving rise to a profit on disposal (after a charge for goodwill of £1,686,000) of £1,224,000. Details of the disposal of security holographics are set out in note 26.

In the year ended 31 December 2016 costs were incurred for the acquisitions of Laminates Americas and API Netherlands, the consolidation of US manufacturing operations (expected to conclude in 2018), and the transfer of decorative holographics to Livingston along with the closure of the Salford site. In the period ended 31 December 2015, full provision was made against the goodwill relating to the joint operation, API Optix s.r.o. of £392,000; the £59,000 provision in the year ended 31 December 2016 reflects the movement in the cost of goodwill from exchange differences.

6. Finance revenue and finance costs

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Finance revenue		
Other interest receivable	—	—
Finance costs		
Interest payable on bank loans, overdrafts and finance leases	(1,129)	(724)
Other interest payable	(2)	(49)
Finance cost in respect of defined benefit pension plans	(419)	(275)
	(1,550)	(1,048)

Included within interest payable on bank loans, overdrafts and finance leases is £109,000 (2016: £46,000) relating to the amortisation of fees and expenses incurred in obtaining bank facilities.

7. Taxation

a) Tax expense in the income statement

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Current income tax		
UK corporation tax	(555)	(383)
Overseas tax	(292)	(282)
Adjustment to prior periods	265	(57)
Total current income tax expense	(582)	(722)
Deferred tax		
Origination and reversal of temporary differences		
– defined benefit pension plan	(54)	(83)
– tax losses and other short-term differences	—	(162)
– capital allowances	(84)	(123)
– effect of change in tax rate	—	(7)
Total deferred tax expense	(138)	(375)
Total tax expense in the income statement	(720)	(1,097)

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Deferred tax		
Re-measurement gains and losses on defined benefit pension schemes	(1,022)	1,570
Change in fair value of effective cash flow hedges	(133)	186
Foreign currency adjustment	—	(5)
Effect of change in tax rate	—	(144)
	(1,155)	1,607

(c) Reconciliation of the total tax charge

The tax rate in the income statement for the year is higher (2016: higher) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are reconciled below:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Accounting (loss) / profit before tax	(1,210)	2,477
Accounting (loss) / profit multiplied by the UK standard rate of corporation tax of 19.25% (2016: 20%)	(233)	495
Adjustments to tax charge in respect of prior periods	(265)	57
Adjustments in respect of foreign tax rates	98	79
Decrease in deferred tax asset recognised on losses and capital allowances	(334)	50
Losses for which deferred tax is not recognised	523	42
Losses utilised	(460)	(338)
Other temporary differences for which deferred tax is not recognised	(69)	86
Effect of change in tax rate	—	7
Expenses not deductible for tax purposes	1,460	619
Total tax expense reported in the income statement	720	1,097

(d) Deferred tax

The deferred tax included in the statement of financial position is analysed as follows:

	31 December 2017 £'000	31 December 2016 £'000
Deferred tax liability		
Revaluation of fixed assets	(156)	(156)
Capital allowances	(59)	—
	(215)	(156)
Deferred tax asset		
Defined benefit pension plans	1,454	2,531
Fair value of cash flow hedges	4	138
Capital allowances	102	126
	1,560	2,795

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) has been substantively enacted. This will impact the group's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2017 have been calculated based at the rates of tax substantively enacted at the date of the statement of financial position.

7. Taxation (continued)

(d) Unrecognised tax losses

The group has unrecognised tax losses arising in the UK of £2,388,000 (2016: £3,531,000) that are available and may be offset against future taxable profits of those businesses in which the losses arose. The UK tax group also has unrecognised capital allowances of £283,000 (2016: £1,106,000) available to offset against future taxable profits at the rate of 17%/19% (2016: 17%/19%) a year on a reducing balance basis. The group has unrecognised US federal tax losses available for carry forward of \$6,040,000 (2016: \$6,973,000), which are available for offset against future profits for a period of between 5 and 18 years.

8. Property, plant and equipment

	Freehold land £'000	Freehold buildings £'000	Long leasehold land and buildings £'000	Plant and machinery £'000	Office and IT equipment £'000	Total £'000
Cost						
At 31 December 2015	2,323	10,677	1,980	58,012	9,824	82,816
Additions	—	23	7	1,100	566	1,696
Acquisitions	554	2,325	—	3,137	—	6,016
Disposals	—	—	—	(6,090)	(847)	(6,937)
Transferred to assets classified as held for sale	(2,293)	(3,612)	—	—	—	(5,905)
Foreign currency adjustment	449	1,857	3	3,540	725	6,574
At 31 December 2016	1,033	11,270	1,990	59,699	10,268	84,260
Additions	—	1,594	104	5,641	662	8,001
Disposals	—	—	—	(1,351)	(607)	(1,958)
Foreign currency adjustment	46	(1,069)	1	(1,839)	(285)	(3,146)
At 31 December 2017	1,079	11,795	2,095	62,150	10,038	87,157
Depreciation						
At 31 December 2015	—	4,760	978	43,796	6,560	56,094
Provided during the year	—	383	111	1,706	618	2,818
Disposals	—	—	—	(4,869)	(837)	(5,706)
Transferred to assets classified as held for sale	—	(1,531)	—	—	—	(1,531)
Foreign currency adjustment	—	1,019	3	2,654	491	4,167
At 31 December 2016	—	4,631	1,092	43,287	6,832	55,842
Provided during the year	—	291	120	1,940	673	3,024
Disposals	—	—	—	(1,002)	(597)	(1,599)
Foreign currency adjustment	—	(505)	1	(1,365)	(230)	(2,099)
At 31 December 2017	—	4,417	1,213	42,860	6,678	55,168
Net book value at 31 December 2017	1,079	7,378	882	19,290	3,360	31,989
Net book value at 31 December 2016	1,033	6,639	898	16,412	3,436	28,418
Net book value at 31 December 2015	2,323	5,917	1,002	14,216	3,264	26,722

Finance leases

Included in the net book value of plant and machinery is £1,710,000 (2016: £1,850,000) relating to assets acquired under finance leases.

Construction work-in-progress

Included in the cost of property, plant and equipment is £5,444,000 (2016: £1,031,000) relating to construction work-in-progress.

Commitments

Amounts contracted in respect of property, plant and equipment (including construction work-in-progress) amounted to £758,000 (2016: £250,000). See note 23.

Security

The group's UK borrowings were £nil at 31 December 2017; see note 17 for details of new finance arrangements from November 2017. The group's UK borrowings at 31 December 2016 of £8,841,000 were secured by floating charges on the UK assets of the group including fixed assets to the value of £14,435,000. The US loans of £16,250,000 (2016: £10,316,000) are pledged against certain property, plant and equipment to the value of £15,925,000 (2016: £13,370,000).

9. Assets classified as held for sale

Both the properties classified for as held for sale at 31 December 2016 were sold in the year ended 31 December 2017.

	31 December 2017 £'000	31 December 2016 £'000
Salford	—	2,163
Rahway	—	2,211
	—	4,374

10. Intangible assets

	Goodwill £'000	Customer relationships £'000	Trade name £'000	Total £'000
Cost				
At 31 December 2015	5,580	—	—	5,580
Additions	5,561	2,878	372	8,811
Disposals	(1,686)	—	—	(1,686)
Foreign currency adjustment	313	156	2	471
At 31 December 2016	9,768	3,034	374	13,176
Additions - reclassifications	127	(125)	(2)	—
Disposals	—	—	—	—
Foreign currency adjustment	(206)	(161)	15	(352)
At 31 December 2017	9,689	2,748	387	12,824
Impairment / amortisation				
At 31 December 2015	392	—	—	392
Amortisation in the year	—	119	—	119
Impairment provision	59	—	—	59
Foreign currency adjustment	—	11	—	11
At 31 December 2016	451	130	—	581
Amortisation in the year	—	414	41	455
Impairment provision	964	—	—	964
Foreign currency adjustment	—	(24)	1	(23)
At 31 December 2017	1,415	520	42	1,977
Net book value at 31 December 2017	8,274	2,228	345	10,847
Net book value at 31 December 2016	9,317	2,904	374	12,595
Net book value at 31 December 2015	5,188	—	—	5,188

Details of the acquisition of Laminates Americas and API Netherlands in the year ended 31 December 2016 are set out in note 26.

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 December 2017 £'000	31 December 2016 £'000	31 December 2015 £'000
Foils Europe – UK	2,538	2,538	2,538
Foils Europe – Germany	—	964	964
Holographics	—	—	1,686
Laminates Americas	3,198	3,501	—
API Netherlands	2,538	2,314	—
API Optix s.r.o. (joint operation)	—	—	—
	8,274	9,317	5,188

11. Impairment of non-financial assets

The directors have reviewed impairment tests at 31 December 2017 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:

- Foils Europe – UK
- Foils Europe – Germany
- Laminates Americas; and
- API Netherlands.

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

The recoverable amount of each of the cash generating units has been determined on a value in use basis. Value in use is calculated as the net present value of pre-tax cash flows based on budgets for the year ended 31 December 2018 and forecasts for the following 4 years which have been approved by the board. The cash flows were derived from business plans, including detailed sales forecasts by product type and geography, prepared by individual businesses within each division. These include an allowance for detailed capital and maintenance programmes. The growth rates and inflation have been based on independent economic data and reflect management's assessment of specific risks related to the cash generating units. A pre-tax discount rate of 12% (2016: 12%) has been used, which was considered a best estimate for the current risk-adjusted cost of capital for the group.

The directors believe that no reasonable possible change in any of the key assumptions would cause the carrying value of the units to exceed their recoverable amounts.

Goodwill relating to Foils Europe – Germany has been provided for in the year ended 31 December as a result of the decision to closure the operations of API Foils Deutschland GmbH. Goodwill relating to API Optix s.r.o., a joint operation, was provided for in full at 31 December 2016.

12. Joint operation

The group has a 50% interest in a company, API Optix s.r.o. ("APIO"). Under IFRS 11, this joint arrangement is considered to be a joint operation.

The group's interests in the assets and liabilities of APIO are as follows:

	31 December 2017 £'000	31 December 2016 £'000
Non-current assets	279	269
Current assets	200	159
Current liabilities	(30)	(16)
	449	412

The aggregate amount of the capital and reserves of APIO is £898,000 (2016: £824,000). The net income for the year ended 31 December 2017 is £4,000 (2016: £7,000). The registered capital of APIO is 25,200,000 Czech crowns.

13. Trade and other receivables

	31 December 2017 £'000	31 December 2016 £'000
Amounts falling due within one year		
Trade receivables	24,145	21,219
Prepayments	1,819	1,552
Other debtors	2,090	1,233
	28,054	24,004

Trade receivables are non-interest bearing and are generally on between 30 and 90 days' terms. They are shown net of any provisions for impairment. At 31 December 2017, trade receivables at a nominal value of £157,000 (2016: £77,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	31 December 2017 £'000	31 December 2016 £'000
Opening provision	77	85
Charge for the year	90	20
Amounts written off	(13)	(36)
Unused amounts reversed	—	(1)
Foreign currency adjustment	3	9
Closing provision	157	77

13. Trade and other receivables (continued)

Of the total trade receivables shown above, £6,272,000 (2016: £4,434,000) are past due, but not impaired. An analysis of these trade receivables is as follows:

	31 December 2017 £'000	31 December 2016 £'000
0-30 days overdue	5,099	3,812
31-60 days overdue	699	219
61-90 days overdue	141	53
91+ days overdue	333	350
	6,272	4,434

Due to the nature and number of the group's customers, it is not practical to analyse the credit quality of trade receivables that are neither past due nor impaired. Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed. Customers are assessed for financial reliability using external rating agencies. Secure payment terms are frequently used in riskier geographical areas or for riskier customers. In determining the level of credit insurance placed, the group continually monitors the market to assess the cost of premiums compared to the credit risks associated with different market and product sectors. At 31 December 2017, the maximum exposure to credit risk in respect of trade receivables, after taking account of credit insurance, was £3,683,000 (2016: £3,304,000).

14. Inventories

	31 December 2017 £'000	31 December 2016 £'000
Raw materials	9,106	8,232
Work in progress	751	935
Finished goods	7,179	6,788
	17,036	15,955

15. Cash and cash equivalents

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

	31 December 2017 £'000	31 December 2016 £'000
Cash at bank and in hand	4,667	4,139
Bank overdrafts (note 17)	(682)	(679)
	3,985	3,460

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

Cash and cash equivalents includes £nil (2016: £202,000) relating to the API Group plc No 2 Employee Benefit Trust (note 21); the use of these funds is restricted.

16. Trade and other payables

	31 December 2017 £'000	31 December 2016 £'000
Current		
Trade payables	18,276	19,269
Other payables	9,218	5,165
Owed to parent undertaking	10,382	—
	37,876	24,434
Non-current		
Other payables	—	1,707

On 14 November 2017, Steel Partners Holdings L.P., through certain consolidated subsidiaries (collectively, 'Borrowers') entered into a new five-year \$600 million revolving credit facility ('Credit Agreement') with PNC Bank NA ('PNC'). Cedar 2015 Limited, the parent undertaking of API Group plc, is a Borrower under that Credit Agreement. At 31 December 2017, Cedar 2015 Limited had borrowed £10,386,000 under the Credit Agreement and provided those funds to API Group plc and its subsidiary undertakings.

17. Other financial liabilities

	31 December 2017 £'000	31 December 2016 £'000
Current		
Bank overdrafts	682	679
Current instalments due on bank loans	—	1,084
Current instalments due on finance leases	541	631
Forward foreign exchange contracts (note 22)	140	848
	1,363	3,242
Non-current		
Non-current instalments due on bank loans	16,250	18,073
Non-current instalments due on loan by WFHC	—	4,046
Non-current instalments due of finance leases	—	541
	16,250	22,660

Bank loans

Bank loans comprise the following:

	31 December 2017 £'000	31 December 2016 £'000
Revolving loans (UK)	—	8,841
Revolving loans (US)	16,250	1,222
Term loans (US)	—	9,094
	16,250	19,157
Less: current instalments due on bank loans	—	(1,084)
	16,250	18,073

The group's banking facilities comprise:

UK facilities

For the period to November 2017, the UK facilities were with HSBC Bank plc. The facilities included a £13.5m multicurrency revolving facility agreement. At 31 December 2016, £8.9m was drawn down at an interest rate of 1.5%. The facilities were subject to two quarterly financial covenant targets reflecting the financial performance of the group excluding the impact of the Americas business units. On 14 November 2017, Steel Partners Holdings L.P., through certain consolidated subsidiaries (collectively, 'Borrowers') entered into a new five-year \$600 million revolving credit facility ('Credit Agreement') with PNC Bank NA ('PNC'). Cedar 2015 Limited, the parent undertaking of API Group plc, is a Borrower under that finance facility and the UK facilities are now provided through Cedar 2015 Limited.

US facilities

On 14 November 2017, Steel Partners Holdings L.P., through certain consolidated subsidiaries (collectively, 'Borrowers') entered into a new five-year \$600 million revolving credit facility ('Credit Agreement') with PNC Bank NA ('PNC') which replaced all of the previous API US facilities. API Americas Inc is a Borrower under that Credit Agreement and at 31 December 2017 had taken out loans of £16,250,000 (\$21,984,000). At 31 December 2017, interest rates were 3.5% (31 December 2016: 3.7%). As a Borrower to the Credit Agreement, at 31 December 2017, API Americas Inc has given security over assets amounting to £24,823,000 (\$33,580,000) and the total amount owed by the Borrowers under the Credit Agreement was £300,843,000 (\$406,981,000).

For the period to November 2017, the US facilities were with HSBC Bank USA. The facilities comprised amortising loans (of \$10.3m at 31 December 2016) and a revolving credit facility of up to \$5.5m, depending on the level of trade debtors and stock. There was also an equipment purchase loan with Wells Fargo Bank of \$0.9m at 31 December 2016. At 31 December 2016, the revolving credit facility was secured on working capital to the value of £9,599,000 and the loans over certain property, plant and equipment.

Loan from WebFinancial Holding Corporation

The loan of \$5.0m loan was from an intermediate parent company, WebFinancial Holding Corporation ('WFHC'), and was provided in July 2016. The loan had an interest rate of LIBOR plus 6.0% and the principal and interest was repayable on 1 October 2018. Following the new Credit Agreement on 14 November 2017, in December 2017 the loan from WFHC of \$5.0m along with the accrued interest thereon was repaid.

Finance leases

Finance leases comprise the following:

	31 December 2017 £'000	31 December 2016 £'000
Within one year	549	658
Between one and five years	—	549
	549	1,207
Less: interest allocated to future periods	(8)	(35)
	541	1,172

There is a finance lease with HSBC Equipment Finance (UK) Limited of £0.5m (2016: £1.2m) with a primary period to November 2018 and interest rate of 3.1%.

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.

A non-contributory scheme is operated for members of the North New Jersey Teamsters 11 Union employed at the group's site in Rahway, New Jersey. This scheme is a multi-employer defined benefit scheme which has been accounted for as a defined contribution scheme, as the information available from the scheme administrators was insufficient for it to be accounted for as a defined benefit scheme. Under the rules of the scheme the employer is not liable for any deficit of the scheme unless it withdraws from the scheme. Due to the expected closure of the Rahway site in 2018, a discounted withdrawal liability has been provided for at 31 December 2017 of £3,205,000.

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. Due to the nature of the liabilities, the pension schemes are exposed to inflation, interest rate risk and changes in life expectancy of members. As the plan assets include significant investments in equities, the pension schemes are also exposed to equity market risk.

Pension and other post-retirement benefits comprise:

	31 December 2017 £'000	31 December 2016 £'000
UK defined benefit pension scheme	8,554	14,885
US defined benefit pension scheme	827	911
Discounted withdrawal liability from Teamsters 11 plan	3,205	—
	12,586	15,796

The assets and liabilities of the defined benefit schemes are:

At 31 December 2017	United Kingdom £'000	United States £'000	Total £'000
Equities	50,492	1,033	51,525
Bonds	10,876	1,145	12,021
Liability driven investments	23,128	—	23,128
Hedge funds	—	—	—
Private markets	10,273	—	10,273
Property	9,824	67	9,891
Cash	334	—	334
Fair value of scheme assets	104,927	2,245	107,172
Present value of scheme liabilities	(113,481)	(3,072)	(116,553)
Net pension liability before deferred tax	(8,554)	(827)	(9,381)

At 31 December 2016	United Kingdom £'000	United States £'000	Total £'000
Equities	45,616	1,039	46,655
Bonds	10,451	1,201	11,652
Liability driven investments	22,050	—	22,050
Hedge funds	6,090	—	6,090
Property	9,093	69	9,162
Cash	3,278	—	3,278
Fair value of scheme assets	96,578	2,309	98,887
Present value of scheme liabilities	(111,463)	(3,220)	(114,683)
Net pension liability before deferred tax	(14,885)	(911)	(15,796)

Equities have a quoted price in an active market (Level 1 hierarchy). The fair value of bonds, liability driven investments, hedge funds and property are determined using observable market prices (Level 2 hierarchy). The private markets assets are Level 3 hierarchy. The funds have not invested in any of the group's own financial instruments nor in properties or other assets used by the group.

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 December 2017	United Kingdom £'000	United States £'000	Total £'000
Recognised in the Income Statement			
Recognised in arriving at operating profit:			
Scheme expenses borne by employers	759	13	772
Interest income on scheme assets	2,514	83	2,597
Interest cost on scheme liabilities	(2,899)	(117)	(3,016)
Other finance cost	(385)	(34)	(419)
Taken to the Statement of Comprehensive Income			
Actual return on scheme assets	11,797	233	12,030
Less: interest income on scheme assets	(2,514)	(83)	(2,597)
Less: investment management fees	(256)	—	(256)
	9,027	150	9,177
Other re-measurement gains and losses	(3,267)	(245)	(3,512)
Re-measurement gains and losses recognised in the Statement of Comprehensive Income	5,760	(95)	5,665
Period ended 31 December 2016			
	United Kingdom £'000	United States £'000	Total £'000
Recognised in the Income Statement			
Recognised in arriving at operating profit:			
Scheme expenses borne by employers	582	43	625
Interest income on scheme assets	3,234	88	3,322
Interest cost on scheme liabilities	(3,474)	(123)	(3,597)
Other finance cost	(240)	(35)	(275)
Taken to the Statement of Comprehensive Income			
Actual return on scheme assets	13,527	96	13,623
Less: interest income on scheme assets	(3,234)	(88)	(3,322)
Less: investment management fees	(220)	—	(220)
	10,073	8	10,081
Other re-measurement gains and losses	(19,013)	(87)	(19,100)
Re-measurement gains and losses recognised in the Statement of Comprehensive Income	(8,940)	(79)	(9,019)

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

	United Kingdom		United States	
	December 2017	December 2016	December 2017	December 2016
Rate of increase in pensions in payment	2.23%	2.25%	n/a	n/a
Rate of increase to deferred pensions	2.20%	2.25%	n/a	n/a
Inflation – CPI	2.20%	2.25%	n/a	n/a
Discount rate	2.50%	2.65%	3.70%	4.30%
Post-retirement mortality (in years):				
Member age 65 (current life expectancy) – male	20.7	20.9	n/a	n/a
Member age 65 (current life expectancy) – female	22.6	23.1	n/a	n/a
Member age 45 (life expectancy at 65) – male	22.1	22.7	n/a	n/a
Member age 45 (life expectancy at 65) – female	24.1	25.0	n/a	n/a

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

The rate of increase in pensions and the inflation rate assumptions in the UK are based on statistics published by the Bank of England for long-term estimates of the Retail Price Index ("RPI"). At 31 December 2016, the relevant inflation rate based on the RPI for the duration of the UK Scheme was 3.20% (2016: 3.25%). The statutory basis of indexation used by the scheme is based on the Consumer Price Index ("CPI"). It is estimated that long-term CPI is approximately 1.0% (2016: 1.0%) lower than the RPI. A 0.1% variation in the inflation rate would result in a change in the present value of the scheme liabilities of approximately £1.1m (2016: £1.1m).

The discount rate for the UK scheme has been set by reference to the iBoxx AA corporate bond 15-year index. The rate has been modified to take account of the duration of the scheme, which is approximately 18 years (2016: 18 years). A 0.1% variation in the discount rate would result in a change in the present value of the scheme liabilities of approximately £1.9m (2016: £1.9m).

18. Pensions and other post-retirement benefits (continued)

In the UK, the mortality assumptions for the current year are based on nationally published tables using 120% of the S2P*A YOB CMI 2016 model with 1.25% long term trend rate and smoothing factor of 7.5 (2016: 120% of the S1P*A YOB CMI 2013 model with 1.25% long-term rate of improvement). A 1 year variation in life expectancy at age 65 would result in a change in the present value of the scheme liabilities of approximately £2.3m (2016: £2.3m). In the US, mortality assumptions are in accordance with the RP-2014 Adjusted to 2006 Total Dataset Mortality with Scale MP-2017 (2016: RP-2014 Adjusted to 2006 Total Dataset Mortality with Scale MP-2016).

Scheme assets are stated at their market values at the respective statement of financial position dates.

Following closure of the UK scheme to future accrual, the group has agreed to make contributions up to 2023 in order to make up the funding shortfall. The agreed contributions for the year ended 31 December 2018 are £700,000. Following closure of the US scheme to future accrual, the group has agreed to make contributions for the year ended 31 December 2018 of \$140,000.

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

	United Kingdom £'000	United States £'000	Total £'000
At 1 January 2016	93,946	2,796	96,742
Service cost	—	—	—
Interest cost	3,474	123	3,597
Benefits paid	(4,970)	(308)	(5,278)
Re-measurement gains from changes in financial assumptions	19,013	87	19,100
Foreign currency differences	—	522	522
At 31 December 2016	111,463	3,220	114,683
Service cost	—	—	—
Interest cost	2,899	117	3,016
Benefits paid	(4,148)	(238)	(4,386)
Re-measurement losses from changes in financial assumptions	3,267	245	3,512
Foreign currency differences	—	(272)	(272)
At 31 December 2017	113,481	3,072	116,553

Changes in the fair value of the scheme assets are analysed as follows:

	United Kingdom £'000	United States £'000	Total £'000
At 1 January 2016	87,321	2,018	89,339
Interest income	3,234	88	3,322
Return on scheme assets excluding interest income	10,293	8	10,301
Employer contributions	700	123	823
Benefits paid	(4,970)	(308)	(5,278)
Foreign currency differences	—	380	380
At 31 December 2016	96,578	2,309	98,887
Interest income	2,514	83	2,597
Return on scheme assets excluding interest income	9,283	150	9,433
Employer contributions	700	139	839
Benefits paid	(4,148)	(238)	(4,386)
Foreign currency differences	—	(198)	(198)
At 31 December 2017	104,927	2,245	107,172

19. Share capital

Allotted, called up and fully paid

	31 December 2017 thousands	31 December 2016 thousands	31 December 2017 £'000	31 December 2016 £'000
Ordinary shares of 1p	76,749	76,749	767	767

During the current year and previous year, no further shares were issued.

During the current year and previous year, no options were granted over the ordinary shares. At 31 December 2017, there were nil share options outstanding (2016: nil).

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.

20. Share-based payments

Share options

There were no share options remaining in place at 31 December 2017 (31 December 2016: nil).

21. Reserves

Other reserves

Other reserves of £9,415,000 (2016: £9,415,000) comprise the capital redemption reserve £8,846,000 and a surplus of £569,000 (2016: £569,000) in the ESOP reserve.

The capital redemption reserve arose from the cancellation of 549,000 preference shares of £1 each (£549,000) 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 related to shares held by the API Group plc No 2 Employee Benefit Trust (the "Trust"), established in 1997 to facilitate the operation of the company's executive share schemes. The remaining shares held by the Trust were sold as a result of the acquisition of the company by Steel Partners Holdings L.P.. At 31 December 2017, the Trust had no assets (2016: cash of £202,000).

Foreign exchange reserve

The foreign exchange reserve of £1,966,000 surplus (2016: £2,649,000 surplus) is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

22. Financial instruments

The group's policy is to ensure that banking facilities are adequate to meet the foreseeable peak requirements arising from variations in working capital and the timing of capital expenditure. Facilities are in place to independently finance the two main operations based in the UK and North America. The group's debt is structured to ensure that, where possible, it is held in the same territory where the operations being financed are situated. For substantial transactional exposures, it is group policy to hedge through the use of foreign exchange forward contracts.

Liquidity profile

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

At 31 December 2017	Within one year £'000	One to two years £'000	Two to five years £'000	After five years £'000	Total £'000
Non-derivative financial liabilities	1,223	—	16,250	—	17,473
Interest on financial liabilities	569	569	1,644	—	2,782
Trade and other payables	36,676	—	—	—	36,676
Forward foreign exchange contracts:					
Payable	30,529	—	—	—	30,529
Receivable	(30,514)	—	—	—	(30,514)
At 31 December 2016	Within one year £'000	One to two years £'000	Two to five years £'000	After five years £'000	Total £'000
Non-derivative financial liabilities	2,404	15,946	3,234	3,470	25,054
Interest on financial liabilities	793	659	928	1,235	3,615
Trade and other payables	23,440	1,707	—	—	25,147
Forward foreign exchange contracts:					
Payable	21,299	—	—	—	21,299
Receivable	(20,526)	—	—	—	(20,526)

Liquidity risk is considered as part of the annual budget and monthly forecasting. The effect on liquidity of potential movements in interest and currency rates is also considered.

Fair values of financial assets and liabilities

The fair values of financial assets and liabilities are determined to be equivalent to their book values. The group uses a fair value hierarchy for determining and disclosing the fair values of financial instruments by valuation technique, in accordance with IFRS 13. All of the financial instruments held by the group are included in the level 2 hierarchy. Fair values are determined using observable market prices (level 2 as defined by IFRS 13 Fair Value Measurement) with the fair value of forward exchange contracts being estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

Credit risk

The group's credit risk relates to deposit and trade receivables and cash at bank. Details are disclosed in notes 13 and 15.

22. Financial instruments (continued)

Equity price risk

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

Interest rate risk

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

	Increase in interest rate	Effect on profit before tax £'000
31 December 2017	+1%	(279)
31 December 2016	+1%	(239)

Foreign currency risk

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

	Effect on profit before tax £'000	Effect on equity £'000
31 December 2017		
10% weakening of sterling versus US dollar	(20)	(420)
10% strengthening of sterling versus US dollar	16	344
10% weakening of sterling versus Euro	(729)	1,261
10% strengthening of sterling versus Euro	597	(1,031)
31 December 2016		
10% weakening of sterling versus US dollar	(69)	(180)
10% strengthening of sterling versus US dollar	85	220
10% weakening of sterling versus Euro	(492)	561
10% strengthening of sterling versus Euro	602	(686)

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

Hedges

Cash flow hedges

Forward foreign exchange contracts

The group has taken out foreign currency forward contracts in order to hedge the value of future sales denominated in euros to the value of €20.2m (2016: €13.6m) and future purchases denominated in US dollars to the value of \$4.9m (2016: \$1.5m). These contracts have maturity dates extending to December 2018 (2016: December 2017). At 31 December 2017, contracts with a positive value amounted to £80,000 (2016: £74,000) maturing within one year. Contracts with a negative value amounted to £104,000 (2016: £786,000) maturing within one year. These hedges are fully effective and, consequently, the full amounts of the changes in fair value have been shown in the Statement of Comprehensive Income. The gain recognised in other comprehensive income in respect of foreign exchange contracts is £692,000 (2016: loss of £933,000). A loss of £1,013,000 (2016: loss of £1,146,000) was recycled from other comprehensive income to revenue in the income statement.

Interest rate

There were no interest rate swaps in the years ended 31 December 2017 or 31 December 2016.

Fair value hedges

The group has also taken out foreign currency forward contracts in order to hedge the value of trade debtors, net of trade creditors, denominated in euros. Any profit or loss arising on these contracts is posted directly to the income statement. At 31 December 2017, there were forward contracts in place in respect of fair value hedges to buy sterling and sell euros to the value of €10.0m (2016: €9.0m) and to buy US dollars and sell euros to the value of \$nil and €nil respectively (2016: \$1.0m and €1.0m). These contracts have maturity dates extending to May 2018 (2016: June 2017). Contracts with a positive fair value amounted to £44,000 and contracts with a negative fair value amounted to £36,000 at 31 December 2017 (2016: negative fair value of £62,000). Losses on fair value hedges amounting to £253,000 (2016: loss of £571,000) are included in the amounts disclosed for net foreign currency differences in note 3.

23. Capital commitments

Amounts contracted but not provided in these financial statements are as follows:

	31 December 2017 £'000	31 December 2016 £'000
Property, plant and equipment	758	250

24. Obligations under leases and hire purchase contracts

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

	31 December 2017 £'000	31 December 2016 £'000
Not later than one year	1,232	979
After one year but not more than five years	497	928
	1,729	1,907

The above commitments relate to short-term leases of no more than four years, mostly in respect of land and buildings. In addition to the above commitments, there is a long lease property which expires in 2073 for which the present annual payment is £115,000 (2016: £38,000).

25. Related party transactions

Compensation of key management personnel

The key management personnel comprise the General Management Team of the company.

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Short-term employee benefits	1,454	2,170
Post-employment benefits	41	55
	1,495	2,225

Transactions with APIO

Transactions during the year with APIO, a joint operation, are purchases of £14,000 (2016: £16,000) and research and development charges of £79,000 (2016: £169,000). The amount owed to APIO was £98,000 (2016: £128,000).

Relationships between the parent and its subsidiaries

The relationships between the parent and its subsidiaries are disclosed in note 2 to the parent company financial statements.

Transactions with Steel Partners Holdings L.P.

Transactions between API Group plc and its subsidiaries and other members of the Steel Partners Holdings L.P. group are not disclosed given the production of publically available consolidated financial statements which includes API Group plc. Copies of the group accounts of Steel Partners Holdings L.P. may be obtained from The Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801.

26. Acquisitions and disposals

a) Acquisition of Laminates Americas

In July 2016, the group acquired the business and certain assets of the Osgood laminates factory from Hazen Paper Company. The purchase consideration of \$14,239,000 was financed through external debt of \$9,000,000, a loan from WebFinancial Holding Corporation of \$5,000,000 with the remainder from existing funding.

Details of the acquisition are set out below:

Fair value table:

	Net book value £'000	Adjustments £'000	Fair value £'000
Property, plant and equipment	1,295	3,388	4,683
Inventories	716	34	750
Intangibles – customer relationships	—	2,034	2,034
Intangibles – goodwill	—	3,258	3,258
Total	2,011	8,714	10,725
Purchase consideration			10,725

In the year ended 31 December 2016, revenues and profit since acquisition were £7,115,000 and £433,000 respectively. Acquisition related costs of £209,000 were recognised as an expense within the group income statement as part of exceptional items.

26. Acquisitions and disposals (continued)

b) Acquisition of API Netherlands

In December 2016, the group acquired the business and certain assets from Amsterdam Metallised Products B.V.. The total estimated purchase consideration was €7,375,000.

Details of the acquisition are set out below:

Fair value table:

	Net book value £'000	Adjustments £'000	Fair value £'000
Property, plant and equipment	1,482	—	1,482
Inventories	1,134	128	1,262
Intangibles – customer relationships	—	844	844
Intangibles – trade names	—	372	372
Intangibles – goodwill	—	2,302	2,302
Total	2,616	3,646	6,262
Purchase consideration			6,262

The purchase consideration comprised, initial consideration of €5,000,000, estimated earn-out consideration of €375,000 (payable September 2017) and deferred consideration of €2,000,000 (payable June 2018). The earn-out consideration had a range of €nil to €625,000 depending on the profit performance of API Netherlands for the 9 month period to 31 August 2017. The estimated earn-out consideration, at 31 December 2016, was based on forecasted profit performance. In March 2018 the earn-out consideration was agreed at €94,000.

In the year ended 31 December 2016, revenues and loss since acquisition were £848,000 and £74,000 respectively. Acquisition related costs of £257,000 were recognised as an expense within the group income statement as part of exceptional items.

c) Disposal of security holographics

In April 2016, the group sold the security holographics business (which formed part of the operations of API Holographics Limited) to Opsec Security Limited. The total sale proceeds were £5,607,000 comprising £4,750,000 and a further amount of £857,000 which was paid for inventories.

Details of the disposal are set out below:

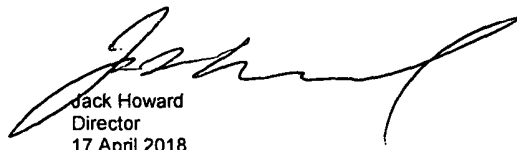
	£'000
Property, plant and equipment	1,195
Inventories	1,027
Intangibles – goodwill	1,686
Sub-total	3,908
Employee compensation payable on completion of disposal	275
Disposal transaction costs	200
Total	4,383
Sale proceeds	5,607
Profit on disposal	1,224

Company Balance Sheet
at 31 December 2017

	Note	31 December 2017 £'000	31 December 2016 £'000
Assets			
Non-current assets			
Investments	2	7,485	6,614
Deferred tax assets	7	1,454	2,530
		8,939	9,144
Current assets			
Trade and other receivables	3	13,350	16,982
Cash and cash equivalents	4	14,224	11,699
		27,574	28,681
Total assets		36,513	37,825
Liabilities			
Current liabilities			
Trade and other payables	5	4,822	398
		4,822	398
Non-current liabilities			
Other financial liabilities	8	—	4,841
Deficit on defined benefit pension scheme	6	8,554	14,885
		8,554	19,726
Total liabilities		13,376	20,124
Net assets		23,137	17,701
Equity			
Called up share capital	9	767	767
Share premium		7,136	7,136
Other reserves	10	9,415	9,415
Retained profit		5,819	383
Equity shareholders' funds		23,137	17,701

A profit of £3,698,000 for the year ended 31 December 2017 (2016: profit of £5,644,000) has been dealt with in the financial statements of the parent company.

Signed on behalf of the board



Jack Howard
Director
17 April 2018

Company number: 00169249

The notes on pages 39 to 44 form part of these financial statements.

Company Statement of Changes in Equity
for the year ended 31 December 2017

	Equity share capital £'000	Share premium £'000	Other reserves £'000	Profit and loss account £'000	Shareholders equity £'000
At 31 December 2015	767	7,136	9,415	10,258	27,576
Profit for the year	—	—	—	5,644	5,644
Re-measurement losses on defined benefit pension scheme	—	—	—	(8,940)	(8,940)
Tax on items relating to components of other comprehensive income	—	—	—	1,421	1,421
Waiver on loan from subsidiary undertaking	—	—	—	(8,000)	(8,000)
Total comprehensive income for the year	—	—	—	(9,875)	(9,875)
At 31 December 2016	767	7,136	9,415	383	17,701
Profit for the year	—	—	—	3,698	3,698
Re-measurement gains on defined benefit pension scheme	—	—	—	5,760	5,760
Tax on items relating to components of other comprehensive income	—	—	—	(1,022)	(1,022)
Waiver on loan from subsidiary undertaking	—	—	—	(3,000)	(3,000)
Total comprehensive income for the year	—	—	—	5,436	5,436
At 31 December 2017	767	7,136	9,415	5,819	23,137

For the years ended 31 December 2017 and 31 December 2016, there was no interim or final dividend.

The notes on pages 39 to 44 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. Accounting policies

Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 100 'Application of Financial Reporting Requirements', Financial Reporting Standard 101 'Reduced Disclosure Framework' and with the Companies Act 2006.

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

The principal accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017. These policies have been consistently applied to all periods presented unless otherwise stated.

Disclosure exemptions adopted

In preparing the financial statements, the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore the financial statements do not include:

- Certain disclosures regarding the company's capital;
- A statement of cash flows;
- The effect of future accounting standards not yet adopted; and
- Disclosure of related party transactions with other wholly owned members of the group headed by API Group plc.

In addition, and in accordance with FRS 101 further disclosure exemptions in respect of financial instruments and impairment of assets have been adopted because equivalent disclosures are included in the consolidated financial statements of API Group plc.

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:

- *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, future applicable 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 6.

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.

Foreign currencies

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

1. Accounting policies (continued)

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

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

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

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

Pensions

The cost of providing benefits under the defined benefit pension plan is determined using the projected unit credit method.

Re-measurements are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through Other Comprehensive Income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss account on the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Company recognises restructuring related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The difference between the return on plan assets and the interest income on plan assets recognised in the income statement as other finance revenue or cost is recognised in Other Comprehensive Income.

Employee Benefit Trust (the "Trust")

The company had a discretionary trust established to facilitate the operation of the company executive share option schemes and long-term incentive plans. Shares in API Group plc held by the Trust were deducted from equity at cost. Amounts received on exercise of these options were 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 was recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

Financial instruments – 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.

2. Investments

Subsidiary undertakings

	£'000
Cost and carrying value	
At 31 December 2016	6,614
Investment in API Netherlands	871
At 31 December 2017	7,485

In the year ended 31 December 2017 there was injection of capital into API Netherlands B.V. of €1,000,000.

Details of the investments of the company are as follows:

Name of company	Registered address	Holding
API Laminates Limited ⁺	Second Avenue, Poynton Industrial Estate, Poynton, Cheshire, SK12 1ND, UK	Ordinary shares
API Foils Holdings Limited [#]	Second Avenue, Poynton Industrial Estate, Poynton, Cheshire, SK12 1ND, UK	Ordinary shares
API Foils Limited ⁺	Second Avenue, Poynton Industrial Estate, Poynton, Cheshire, SK12 1ND, UK	Ordinary shares
API Holographics Limited ⁺	Second Avenue, Poynton Industrial Estate, Poynton, Cheshire, SK12 1ND, UK	Ordinary shares
API Overseas Holdings Limited [#]	Second Avenue, Poynton Industrial Estate, Poynton, Cheshire, SK12 1ND, UK	Ordinary shares
API Group Services Limited ¹	Second Avenue, Poynton Industrial Estate, Poynton, Cheshire, SK12 1ND, UK	Ordinary shares
API-Stace Limited ²	Second Avenue, Poynton Industrial Estate, Poynton, Cheshire, SK12 1ND, UK	Ordinary shares
API (USA) Holdings Limited [#]	3841 Greenway Circle, Lawrence, KS 66046, USA	Common and preferred stocks
API Americas, Inc. ^{**4}	3841 Greenway Circle, Lawrence, KS 66046, USA	Common and preferred stocks
API Foils SAS ⁺	14 Boulevard Arago, 91320 Wissous, France	Ordinary shares
API Foils Deutschland GmbH ⁺	Ziegelstraße 22, 91126 Rednitzhembach, Germany	Ordinary shares
API Foils Italia srl ⁺	Loc. Squarzolo, Strada Salcido, San Salvatore Monferrato (Allesandria), Italy	Ordinary shares
API Foils (Asia) Limited ⁺	Room 1705, Tower 2 Ever Gain Plaza, 88 Container Port Road, Kwai Chung, Hong Kong	Ordinary shares
API Folie Polska Sp. z o.o. ⁺	Al. Wojska Polskiego 11, 01-524 Warsaw, Poland	Ordinary shares
API Optix s.r.o. ^{**3}	Hlavní 130, 250 68 Husinec-Řež, Czech Republic	Ordinary shares
API Netherlands B.V. ⁺	Paul van Vlissingenstraat 12, 1096BK Amsterdam, Netherlands	Ordinary shares

* Held by subsidiary undertaking

+ Operating company

Intermediate holding company

1 Group management company

2 Property holding company

3 Company controls 50% of the voting rights and share capital

4 Previously API Foils, Inc

With the exception of API Optix s.r.o., the company controls 100% of the voting rights and share capital of all the companies listed above.

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

3. Trade and other receivables

	31 December 2017 £'000	31 December 2016 £'000
Amounts falling due within less than one year		
Amounts due from subsidiary undertakings	8,155	8,152
Group relief receivable	353	226
Other debtors	36	61
	8,544	8,439
Amounts falling due after more than one year		
Amounts due from subsidiary undertakings	4,806	8,543
Total trade and other receivables	13,350	16,982

Amounts due from subsidiary undertakings after more than one year are stated after an impairment provision of £600,000 (2016: £600,000).

4. Cash and cash equivalents

Cash and cash equivalents includes £nil (2016: £202,000) relating to the API Group plc No 2 Employee Benefit Trust (note 10); the use of these funds was restricted.

5. Trade and other payables

	31 December 2017 £'000	31 December 2016 £'000
Amounts due to subsidiary undertakings	372	395
Amounts due to parent undertaking	4,438	—
Accruals	12	3
	4,822	398

On 14 November 2017, Steel Partners Holdings L.P., through certain consolidated subsidiaries (collectively, 'Borrowers') entered into a new five-year \$600 million revolving credit facility ('Credit Agreement') with PNC Bank NA ('PNC'). Cedar 2015 Limited, the parent undertaking of API Group plc, is a Borrower under that Credit Agreement. At 31 December 2017, Cedar 2015 Limited had borrowed £4,442,000 under the Credit Agreement and provided those funds to API Group plc.

6. Pensions and other post-retirement benefits

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. Due to the nature of the liabilities, the pension scheme is exposed to inflation, interest rate risk and changes in life expectancy of members. As the plan assets include significant investments in equities, the pension scheme is also exposed to equity market risk.

The assets and liabilities of the defined benefit scheme are:

	31 December 2017 £'000	31 December 2016 £'000
Equities	50,492	45,616
Bonds	10,876	10,451
Liability driven investments	23,128	22,050
Hedge funds	—	6,090
Property	9,824	9,093
Private markets	10,273	—
Cash	334	3,278
Fair value of scheme assets	104,927	96,578
Present value of scheme liabilities	(113,481)	(111,463)
Net pension liability before deferred tax	(8,554)	(14,885)

Equities have a quoted price in an active market (Level 1 hierarchy). The fair value of bonds, liability driven investments, hedge funds and property are determined using observable market prices (Level 2 hierarchy). The private markets assets are Level 3 hierarchy. The funds have not invested in any of the group's own financial instruments nor in properties or other assets used by the group.

The amounts recognised in the Income Statement and Statement of Comprehensive Income are as follows:

	31 December 2017 £'000	31 December 2016 £'000
Recognised in the Income Statement		
Recognised in arriving at operating profit		
Scheme expenses borne by employer	759	582
Interest income on scheme assets	2,514	3,234
Interest cost on scheme liabilities	(2,899)	(3,474)
Other finance cost	(385)	(240)
Taken to the Statement of Comprehensive Income		
Actual return on scheme assets	11,797	13,527
Less: interest income on scheme assets	(2,514)	(3,234)
Less: investment management fees	(256)	(220)
	9,027	10,073
Other re-measurement gains and losses	(3,267)	(19,013)
Re-measurement gains and losses recognised in the Statement of Comprehensive Income	5,760	(8,940)

6. Pensions and other post-retirement benefits (continued)

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

	31 December 2017 £'000	31 December 2016 £'000
Opening defined benefit obligations	111,463	93,946
Interest cost	2,899	3,474
Re-measurement gains from changes in financial assumptions	3,267	19,013
Benefits paid	(4,148)	(4,970)
Closing defined benefit obligations	113,481	111,463

Changes in the fair value of the scheme assets are analysed as follows:

	31 December 2017 £'000	31 December 2016 £'000
Opening fair value of scheme assets	96,578	87,321
Interest income	2,514	3,234
Return on scheme assets excluding interest income	9,283	10,293
Employer contributions	700	700
Benefits paid	(4,148)	(4,970)
Closing fair value of scheme assets	104,927	96,578

The principal actuarial assumptions at the balance sheet dates are as follows:

	31 December 2017	31 December 2016
Discount rate	2.50%	2.65%
Inflation - CPI	2.20%	2.25%
Rate of increase in pensions in payment	2.23%	2.25%
Rate of increase to deferred pensions	2.20%	2.25%
Post-retirement mortality (in years):		
Member age 65 (current life expectancy) - male	20.7	20.9
Member age 65 (current life expectancy) - female	22.6	23.1
Member age 45 (life expectancy at 65) - male	22.1	22.7
Member age 45 (life expectancy at 65) - female	24.1	25.0

These assumptions have been selected after consultation with the company's pension advisors, KPMG LLP.

The rate of increase in pensions and the inflation rate assumptions are based on statistics published by the Bank of England for long-term estimates of the Retail Price Index ("RPI"). At 31 December 2017, the relevant inflation rate based on the RPI for the duration of the UK Scheme was 3.20% (2016: 3.25%). The statutory basis of indexation used by the scheme is based on the Consumer Price Index ("CPI"). It is estimated that long-term CPI is approximately 1.0% (2016: 1.0%) lower than the RPI. A 0.1% variation in the inflation rate would result in a change in the present value of the scheme liabilities of approximately £1.1m (2016: £1.1m).

The discount rate has been set by reference to the iBoxx AA corporate bond 15-year index. The rate has been modified to take account of the duration of the scheme, which is approximately 18 years (2016: 18 years). A 0.1% variation in the discount rate would result in a change in the present value of the scheme liabilities of approximately £1.9m (2016: £1.9m).

The mortality assumptions for the current year are based on nationally published tables using 120% of the S2P*A YOB CMI 2016 model with 1.25% long term trend rate and smoothing factor of 7.5 (2016: 120% of the S1P*A YOB CMI 2013 model with 1.25% long-term rate of improvement). A 1 year variation in life expectancy at age 65 would result in a change in the present value of the scheme liabilities of approximately £2.3m (2016: £2.3m).

Scheme assets are stated at their market values at the respective balance sheet dates.

Following closure of the scheme to future accrual, the company has agreed to make contributions up to 2023 in order to make up the funding shortfall. The agreed contributions for the year ended 31 December 2017 are £700,000.

7. Deferred taxation

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

	31 December 2017 £'000	31 December 2016 £'000
Deferred tax asset		
Defined benefit pension plans	1,454	2,530
	1,454	2,530

Reductions in the UK corporation tax rate from 19% to 17% (17% effective from 1 April 2020) have been substantively enacted. This will impact the company's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2017 have been calculated based at the rates of tax substantively enacted at the balance sheet date.

8. Other financial liabilities

	31 December 2017 £'000	31 December 2016 £'000
Non-current instalments due on bank loans	—	4,841

On 14 November 2017, Steel Partners Holdings L.P., through certain consolidated subsidiaries (collectively, 'Borrowers') entered into a new five-year \$600 million revolving credit facility ('Credit Agreement') with PNC Bank NA ('PNC'). Cedar 2015 Limited, the parent undertaking of API Group plc, is a Borrower under that finance facility. No security has been granted by the company for the Credit Agreement.

At 31 December 2016, the company was party to a composite lending agreement guarantee providing unlimited guarantees between the company, fellow UK subsidiaries and API Netherlands B.V.. The group facility was secured by a floating charge over the group's UK assets and included a £13.5 million multicurrency revolving facility agreement; the facilities drawn down at 31 December 2016 comprised revolving loans of £8.9 million.

A UK subsidiary undertaking has a finance lease with HSBC Equipment Finance (UK) Limited of £0.5 million (31 December 2016: £1.2 million). The company is a guarantor to that finance lease.

9. Share capital

Allotted, called up and fully paid

	31 December 2017 thousands	31 December 2016 thousands	31 December 2017 £'000	31 December 2016 £'000
Ordinary shares of 1p	76,749	76,749	767	767

During the current year and previous year, no further shares were issued.

10. Other reserves

Other reserves of £9,415,000 (2016: £9,415,000) comprise the capital redemption reserve £8,846,000 (2016: £8,846,000) and a surplus of £569,000 (2016: £569,000) in the ESOP reserve.

The capital redemption reserve arose from the cancellation of 549,000 preference shares of £1 each (£549,000) 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 related to shares held by the API Group plc No 2 Employee Benefit Trust (the "Trust"), established in 1997 to facilitate the operation of the company's executive share schemes. The remaining shares held by the Trust were sold as a result of the acquisition of the company by Steel Partners Holdings L.P.. At 31 December 2017, the Trust had no assets (2016: cash of £202,000).

11. Profit attributable to members of the parent company

A profit of £3,698,000 for the year ended 31 December 2017 (2016: profit of £5,644,000) has been dealt with in the financial statements 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 year amounted to £30,000 (2016: £30,000).

12. Dividends

No interim or final dividend has been paid within the year ended 31 December 2017 (nil in year ended 31 December 2016).

13. Ultimate parent undertaking and controlling company

The immediate parent undertaking is Cedar 2015 Limited, a company registered in England and Wales.

The ultimate parent undertaking and controlling party is Steel Partners Holdings L.P., a company incorporated in the USA. Copies of the group accounts of Steel Partners Holdings L.P. may be obtained from The Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801.