API Group plc

Annual Report 2013

Incorporated in England and Wales
with registered number 169249

BRAND ENHANCEMENT AND AUTHENTICATION SOLUTIONS

ABOUT API

IN AN INCREASINGLY COMPETITIVE AND FAST MOVING RETAIL ENVIRONMENT, SHELF IMPACT IS EVERYTHING. WE ENHANCE THE VISUAL APPEAL OF PRODUCTS AND PACKAGING – HELPING TO COMMUNICATE BRAND VALUES AND AUTHENTICITY.

We are a leading manufacturer and distributor of foils, films and laminates, operating from a global network of manufacturing and distribution facilities We supply printers, converters and manufacturers with value-added decorative finishes, to meet the needs of brand owners and specifiers in premium consumer goods sectors such as wines & spirits, personal care & beauty products, tobacco and confectionary We also provide authentication solutions for brand protection and secure documents

With our customer service ethos, technical expertise and collaborative approach, API is a trusted partner in the supply chain for many of the world's leading brands

WHY INVEST

Speciality product range

- Added value option for specifiers, providing superior visual impact differentiation and security
- Established and trusted industry player offering comprehensive range of decorative finishes, effects and secure holographic products
- Manufacturing economies of scale combined with technically demanding product applications, ensuring high barriers to entry

Financial track record

- Five straight years of profit growth under current management team
- Cash generative business with a strong balance sheet
- Portfolio of related businesses providing resilience in overall performance
- Capital investment programme aimed at enhancing profit margins and growth potential

Strategies in place to exploit growth markets

- Europe s largest producer of decorative laminated carbon-board with cost leadership and focus on increasing laminate adoption by premium brand packaging specifiers
- Top three global foils producer, extending sales and distribution representation in under-supplied geographical markets
- Investment in enhanced holographics offer to the growing security and authentication market addressing counterfeiting, identity fraud and tax avoidance

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KEY BUSINESS INITIATIVES

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visit us online at apigroup com

and our investor relations site

STRATEGIC HIGHLIGHTS

YEAR IN PICTURES

May 2012
Laminates
Installation of new laminator at Poynton completed

May 2012
Foils Europe
New finishing and distribution hub operational in Warsaw Poland

October 2012
Foils Americas
Five-year supply deal with key account for Vacuum Metallised Pigment product (VMP)

November 2012
Holographics
Signing of JV agreement with IQ Structures to establish holographic origination facility in Czech Republic

December 2012
Laminates
First zero landfill month at Poynton production site

March 2013
Holographics
Completion of Salford site refurbishment with high security accreditation, expected later in 2013

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BUSINESS PROGRESS IN 2012/13

FINANCIAL HIGHLIGHTS

Total revenue* (£m)

£112 4m

Year	£m
2013	**112 4**
2012	113 9
2011	100 0
2010	79 2

Operating profit before exceptional items* (£m)

£8 5m

Year	£m
2013	**8 5**
2012	6 9
2011	5 2
2010	3 3

Profit before tax* (£m)

£6 7m

Year	£m
2013	**6 7**
2012	5 1
2011	2 9
2010	(0 3)

Operating cash flow* (£m)

£9 2m

Year	£m
2013	**9 2**
2012	10 4
2011	9 7
2010	1 2

*from continuing operations

- Pre exceptional profit before tax increased 35% to £6 8m (2012 £5 1m)
- Diluted earnings per share (pre exceptional) up 36% to 8 7 pence (2012 6 4 pence)
- Revenues marginally lower at £112 4m (2012 £113 9m)
- Pre exceptional operating profits ahead by 23% to £8 5m (2012 £6 9m)
- Exceptional costs of £1 0m for fees and expenses relating to formal sale process and reorganisation costs (2012 £nil)
- Cash generated from operations of £9 2m (2012 £10 4m)
- Intention to commence dividend payments after the next interim results in November
- Net debt down further, to £2 6m (2012 £3 6m)

OPERATIONAL HIGHLIGHTS

- Strong profits growth from Laminates and the two Foils businesses, partially offset by decline at Holographics
- Bulk shipments now commenced on major Laminates supply contract Continued build-up in volumes expected throughout the new financial year
- Cash generation and balance sheet strength supports capital expenditure to improve operational efficiencies and exploit growth opportunities Capital additions in 2013 of £5 1m (2012 £3 5m)

API'S PRODUCTS IN CONTEXT

EXCEPTIONAL BRAND ENHANCEMENT

We lift brands above the noise, inviting shoppers to engage with products, both visually and through touch...

The creation of visually appealing packaging that provides stand-out shelf appeal at point-of-sale is central to API's business mission

Every occasion that packaging is viewed and handled represents an opportunity to communicate and reinforce brand values

Using innovation in materials technology and advanced manufacturing techniques, API offers a unique and bespoke service to customers seeking to maximise the impact of their investment in design and packaging

API works closely with premium brand owners to meet precise design and marketing objectives, producing award-winning packaging solutions which enhance brand impact

Achieving brand differentiation, on shelf and in use, is of paramount importance in the fast moving consumer goods sector API's range of finishes and effects, scale of supply and collaborative approach helps customers to drive sales and margins, demonstrating the value of dynamic packaging as part of the marketing mix

WHERE WE OPERATE

GLOBAL REACH

Creative solutions, outstanding technical support and flexible service are just a step away via our network of local distribution centres and quality manufacturing sites in the UK and USA

to contact any of our sites, go to apigroup com

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Large-scale manufacturing with global reach:

we have large-scale capabilities across all product lines with associated technical expertise and global reach

Revenue by region

6% Asia Pacific

26% UK

19% Americas

49% Rest of Europe

Key statistics

Operating from **15 locations**

Manufacturing in **5 locations**

Serving more than **60 countries**

Employing **543 worldwide**

CHAIRMAN'S STATEMENT

"...the overall progress demonstrated in this year's results underlines the value of the Group's portfolio of businesses."

Richard C Wright
Chairman

- A year of significant progress with increasing levels of profitability
- Formal sale process terminated in February 2013
- The Group has continued to prove resilient in challenging economic conditions
- Intention to commence dividend payments following next interim results

I am pleased to report another year of significant progress for the Group with increasing levels of profitability reflecting a culture of continuous improvement in the quality of our day-to-day operations and a consistent approach to seeking and converting those market opportunities where API can best create value for customers

After two years of strong organic growth revenues for the twelve months to 31 March 2013 fell marginally to £112 4m (2012 £113 9m) Nevertheless operating profit before exceptional items increased by 23% to £8 5m (2012 £6 9m) benefiting from an improved sales mix, lower average raw material prices and greater conversion efficiencies The Group's operating margin reached 7 5% compared to 6 0% for the previous year

The three largest business units Laminates Foils Europe and Foils Americas delivered a combined profit improvement of 43% or £3 1m which was partly offset by a disappointing result at Holographics (£0 3m loss) It is especially pleasing to note the substantial improvement in performance at Foils Europe following the decision 18 months ago to create a stand-alone management team for that business Despite the set-back at Holographics the overall progress demonstrated in this year s results underlines the value of the Group s portfolio of businesses Not forgetting that Holographics had an excellent year in 2011/12 the Board expects a more resilient performance over the medium term as the investment programme currently underway strengthens its positioning in the growing security and authentication market

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With reduced interest costs, profit before tax (pre-exceptional) grew 35% and diluted earnings per share increased 36% to 8 7 pence (2012 6 4 pence) The Group recorded exceptional costs of £1 0m (2012 £nil) comprising fees and expenses associated with the formal sale process and reorganisation costs in Foils Europe and Holographics After these costs profit before tax increased 15% and diluted earnings per share by 17% to 7 5 pence per share

The Group delivered another strong cash flow performance despite significantly higher levels of capital expenditure resulting in year-end net debt decreasing by £1 0m to £2 6m Capital expenditure in the period increased from £3 5m to £5 1m equating to 2 4x depreciation Whilst a number of projects are only partially complete the Board remains confident that these investments represent an effective use of funds and will deliver significant benefit to earnings over the long term

Dividend

The Board has recently undertaken a review of its dividend policy As previously indicated cash generation and balance sheet strength have started to afford the Group greater flexibility in use of funds After a number of years of priority given to debt reduction, the Board has now adopted a policy of a balanced allocation of free cash flow between capital investment aimed at ensuring continued profit growth and returning a portion of funds to shareholders in the form of a regular and meaningful dividend

The Board has decided not to recommend a dividend at the forthcoming Annual General Meeting but is pleased to announce its intention subject to the Group s financial performance at the time to declare a dividend at the next set of interim results at the end of November 2013 and to pursue a progressive dividend policy thereafter

Shareholders and formal sale process

Following representations from the Group s two leading shareholders in February 2012 and subsequent consultations with advisers and other shareholders the Board initiated a formal sale process for the Group commencing September 2012 After a comprehensive exercise and full consideration of the alternatives the sale process was terminated in February 2013 after it became clear that the potential offers available were unlikely in the view of the Board to deliver best value to shareholders Costs of £0 5m were incurred during the financial year relating to this exercise

Board and governance

There have been no changes to the composition of the Board since the last Annual Report The Board and its Committees have functioned well throughout the year especially in overseeing the delivery of improved trading results concurrent with a thorough albeit inconclusive formal sale process

Our people

The continued commitment of the API workforce to the success of the business has been greatly appreciated by the Board, especially during a time of uncertainty about the future ownership of the Group I would like to thank all our employees for their contribution to the performance and development of the Group over the past twelve months

Outlook

The outlook for the year ahead remains unchanged and the Board expects further progress in operating results with profits more weighted towards the second half as volumes build on the new Laminates supply contract and the recovery in Holographics gains strength

Both Foils businesses are continuing to trade steadily, with management focused on operational improvements including targeted capacity additions and cost reduction initiatives In Laminates growth from the new supply contract will provide resilience against some previously announced volume losses Holographics is expected to benefit from new leadership and a strengthened proposition to customers as the current investment programme progresses towards completion

Whilst economic conditions remain challenging the Group has proved resilient over recent years and the Board expects this to continue Management will continue the drive to increase operational efficiency and to ensure the Group s businesses are well positioned to take advantage of both specific growth opportunities as well as any general economic recovery

CHIEF EXECUTIVE'S REVIEW

"...operating profit before exceptional items increased by 23%..."

Andrew Turner
Group Chief Executive

- Operating margin reached 7 5% (2012 6 0%)
- The three largest business units delivered a combined profit improvement of 43%
- Capital additions during the year amounted to £5 1m (2012 £3 5m)

Group operating results

For the twelve months to March 2013 Group revenues were £112 4m a decline of 1 3% on the previous year On a constant currency basis revenues were ahead 0 3% and volumes increased 1 6% with the slight decline in average selling prices being primarily attributable to changes in sales mix between products and business units

Despite slightly lower sales Group pre-exceptional operating profits increased by 23% or £1 6m to £8 5m (2012 £6 9m) due to a higher margin sales mix and lower raw material costs The overall operating margin of 7 5% was 1 5% ahead of the previous year

At divisional level, three of the four businesses delivered improved operating profits with particularly encouraging progress at Foils Europe (+£1 6m) Profits at Foils Americas were ahead by £0 7m and Laminates delivered another strong performance (+£0 8m) whilst the weakness at Holographics reported at the interim stage continued in the second half to leave its full year operating profits lower by £1 9m

As in the previous year second half profitability was weaker than the first half as Laminates activity fell back from an extremely strong start and Holographics suffered a loss-making third quarter Nevertheless a second half benefiting from a significantly increased contribution from Foils Europe and lower central costs was still 11% ahead of the same period last year

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Revenue by division (£m)

7% Holographics

49% Laminates

21% Foils America

23% Foils Europe

Operating profit by division (£m)

(3%) Holographics

64% Laminates

19% Foils America

20% Foils Europe

Cash flow and net debt

After allowing for pension and finance costs net cash inflow from operating activities in the year to 31 March 2013 was £7 0m compared to £7 9m for the prior year

As indicated in the interim results the Board has approved a number of key capital projects which have been progressing towards completion Capital additions during the year amounted to £5 1m (2012 £3 5m) including residual payments on the new laminator at Poynton refurbishment and enhancements at the Holographics site in Salford and expenditure on a new business IT system being progressively introduced in the Foils businesses In addition an investment of £0 4m was made in the Czech joint venture origination company to fund the purchase of new equipment Depreciation for the year was £2 2m (2012 £2 4m)

Working capital ended the year broadly in line with the position last year Working capital efficiency measured by reference to trailing three month sales (annualised) was 8 2% compared to 7 9% at 31 March 2012 Year-end inventory included £0 8m of additional raw material stock to support the ramp up of the new supply contract in Laminates The Group maintains a vigilant approach to the control of working capital within the constraints of commercial and operating pressures

Consistent with the charge in the income statement cash flow for interest expense reduced by £0 2m, to £0 6m

Year-end net debt (financial liabilities excluding the fair value of derivatives less cash) fell £1 0m compared to the position at 31 March 2012 to £2 6m As at 31 March 2013 the Group s debt cover ratio (net debt to trailing twelve month EBITDA) was down to 0 3x (2012 0 4x) with gearing (net debt to shareholders funds) at 11% (2012 17%)

The Group has continued to maintain its strong record of cash conversion which given the reduced level of bank debt, is providing the Board with increased flexibility in the use of funds After a review of business plans and sensitivities the Board has determined that a meaningful and sustainable dividend would be affordable out of future cash flows after providing for finance and pension costs and a continuation of capital investment at the current rate

DIVISIONAL REVIEW

TRUSTED, INNOVATIVE, RELIABLE PARTNER

Our investment in new laminating technology will broaden our product range and enhance the service levels we can offer customers, cementing API's position as Europe's leading carton-board laminator

LAMINATES

FOILS p14

HOLOGRAPHICS p16

API is Europe s longest established and largest producer of paper and carton-board laminates for the packaging of consumer goods With over 50 years experience supplying to premium sectors such as fine spirits tobacco confectionary and beauty we are committed to the highest standards of quality and technical excellence innovation and supply chain efficiency

Percentage of Group revenue

49%

Our products

Metallised Film Laminates – Holographic Laminates – Aluminium Foil Laminates – Portabio Film Laminates – Fresnel Lens Laminates – Bespoke/Print-registered Holographics & Lens – Microwave Susceptor

Our markets

Tobacco wines and spirits confectionery health beauty and personal care

Key statistics

Producing
80,000km
material annually

Handling over
640 tonnes
of material/week

Differentiating brands
38,000 items in
average supermarket*

* Source Food Marketing Institute

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LAMINATES

INVESTMENT

Following two consecutive years of strong double digit growth reported revenues at Laminates edged ahead just 0 6% to £55 2m (2012 £54 8m) Excluding the impact of exchange rates sales grew by 3 3% despite the absence of any expected incremental volume associated with the previously announced major new supply contract The underlying growth was driven by increased shipments of packaging material for health and beauty products whilst sales to the tobacco alcoholic drinks and other sectors were broadly unchanged

Improved supply chain and raw material efficiencies plus a slightly richer sales mix contributed to an improved margin over material costs which translated through flat operating costs to a 14% increase in operating profit to £6 5m (2012 £5 7m) and an operating margin of 11 8% (2012 10 4%)

Whilst progress on the new supply contract has been disappointingly slow qualification of the new-specification material at customer packaging plants has now been completed and shipments have commenced Volumes are expected to ramp up throughout the coming year In the meantime the extra capacity afforded by the new laminator contributed significantly to the achievement of record volumes and profits at API Laminates in 2012/13

Total revenue (£m)

£55 2m

Year	£m
2013	**55 2**
2012	54 8
2011	44 3

Operating profit (£m)

£6 5m

Year	£m
2013	**6 5**
2012	5 7
2011	5 2

OUR STRATEGY IN ACTION

INVESTMENT

Efficiency, quality, productivity and sustainability.

Continuing API's strategic investment in new technology, the Company has recently commissioned a new laminating machine at its Poynton manufacturing facility

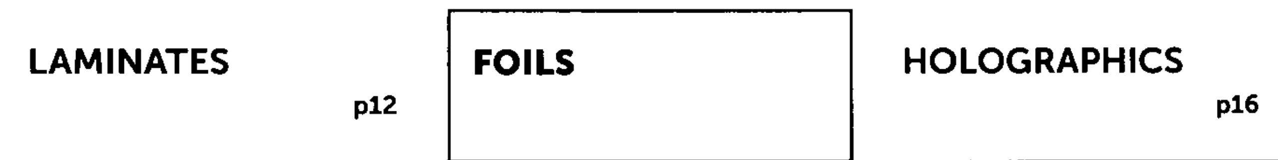
Providing a step-change in width, speed and productivity, Laminator Five cements API's position as the leading carton-board laminator in Europe Capable of handling 400 tonnes of material per week, the new machine further reinforces API Laminates' standing as the trusted partner for high volume, premium brand packaging throughout the design, development, market-launch and replenishment cycle

The investment also places API at the forefront of developments in transfer metallising technology TransMet™ offers a film-free, compostable alternative to standard laminates, with improved environmental credentials and conversion efficiencies for certain applications

The Laminator Five investment is good for the business and good for the environment and will help to ensures API maintains its lead in the constantly-evolving packaging industry

ESTABLISHED NAME IN GLOBAL FOIL MARKET

API Foils' reputation with customers is built on service excellence, especially flexibility, ease of dealing and technical application support



API is a leading manufacturer and worldwide supplier of stamping foils used to enhance the appearance of products and packaging in all types of consumer goods sectors

As a top three player globally API Foils is a well known brand name in the market with a comprehensive product range and service offering and a particularly strong portfolio of foils used for special applications

Percentage of Group revenue

Foils Americas 21%

44%

Foils Europe 23%

Our products

Metallic Hot Stamping Foils – Pigment Foils – Holographic Foils – Cold Foils – Coding Foils – Holographic Lamination Film – Foiling Make Ready Materials

Our markets

Wines and spirits, confectionery beauty and personal care, greetings cards books and magazines food footwear and sports goods office and promotional products

Key statistics

Product range of more than

400 shades

Supplying in excess of

5,000 customers

Thickness of typical transfer foil 3 microns

=0.003mm

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FOILS

SERVICE AND EFFICIENCY

EUROPE

Foils Europe enjoyed a strong recovery in profitability after a challenging couple of years Despite reported revenues down by 7 3% (5 4% at constant exchange rates) at £27 0m (2012 £29 2m) operating profit of £2 0m was ahead £1 6m delivering an operating margin of 7 3% (2012 1 3%) including 9 2% for the second half

Sales volumes were broadly flat year-on-year with average selling prices lower due to product mix and some impact from exchange rates In Europe weaker sales on the Continent were partly offset by growth in the UK and an encouraging start by the new sales and distribution hub in Poland which commenced operations in May 2012 Shipments in the Asia Pacific region accounting for approximately 15% of Foils Europe sales were 5% lower due to reduced activity in New Zealand and Hong Kong

Foils Europe benefited from the establishment of a stand-alone management team during 2012 and an increased focus on cost control and margin management Cost saving initiatives contributed an estimated £0 7m in the year with the remaining profit improvement driven by lower raw material prices more effective loading of the factory and a better sales mix

AMERICAS

Revenues at Foils Americas of £24 0m were 2 2% up on prior year at actual exchange rates and 1 3% ahead at constant rates The business benefited from a second straight year of growth in the metallic pigment sector and higher sales on holographic products partly offset by a decline in pigment foil volumes The core US market for packaging and graphics foils remained flat offset by some encouraging progress on sales into South America

Added value margins improved due to a more favourable sales mix and lower average material costs These factors more than compensated for higher administrative costs bonus and incentive payments and a charge to costs for sales made out of inventory As a result full year profits rose 61% to £1 9m (2012 £1 2m) with an operating margin of 7 9% (2012 5 0%)

Total revenue (£m)

£27 0m

Year	£m
2013	**27 0**
2012	29 2
2011	28 4

Operating profit (£m)

£2 0m

Year	£m
2013	**2 0**
2012	0 4
2011	0 9

Total revenue (£m)

£24 0m

Year	£m
2013	**24 0**
2012	23 4
2011	23 2

Operating profit (£m)

£1 9m

Year	£m
2013	**1 9**
2012	1 2
2011	0 2

OUR STRATEGY IN ACTION

SERVICE AND EFFICIENCY

Visibility, efficiency and 'smart' management.

Visibility, efficiency and 'smart' management of the end-to-end supply chain process will be a key benefit of API's investment in TROPOS, its new integrated business systems solution

This modern IT platform is designed to facilitate the efficient control of inventory across API's increasing network of manufacturing and in-market distribution operations, ensuring the right stock is in the right place, at the right time to meet customer demand

TROPOS went 'live' in API's Foils Americas division on 1 April 2013 and is scheduled to roll out to the European foils business during the coming financial year

Business functions supported include supply chain management, inventory control, quality traceability, sales and order processing, purchasing, manufacturing, product costing and accounting & finance

The new integrated capabilities will further enhance API's customer service advantage, providing an efficient and robust platform for ensuring stock availability and execution of customer orders, in full and on time

HIGH QUALITY, HIGH SECURITY

We understand the security and authentication sector and the levels of product quality and innovation demanded We offer a broad and secure capability to meet and exceed the expectations of our customers

LAMINATES p12 FOILS p14

HOLOGRAPHICS

With a heritage going back to the original development of industrial holograms in the mid 1970s API is today one of the industry s largest manufacturers of holographic products combining design origination and micro-embossing expertise with the know-how in coatings and adhesive technology derived from our extensive foil making activities

API Holographics sells its authentication products directly to security printers specifiers and other industry partners whilst decorative foils and films are distributed through sister companies within the Group

Percentage of Group revenue

7%

Our products

Custom Holograms – Holographic Stripe Thread and Labels – Holographic Overlays – Tamper Evident Seals – Scratch-off Foil

Our markets

Premium branded goods dutiable goods (wines spirits and tobacco) pharmaceuticals licenced goods event and transport tickets vouchers and certificates government and institutional documents and currency

Key statistics

Counterfeit goods approx **10%** of world trade

Annual production of holographic foil and film **12** million square metres

Product destinations **54** countries

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DIVISIONAL REVIEW

HOLOGRAPHICS

SECURE FACILITY

The Holographics business experienced a marked reversal of fortunes in the reporting period Following a significant improvement in profit in the previous year the business returned a loss of £0 3m (2012 £1 6m profit) after the scheduled completion of a major joint project with Laminates was compounded by lower sales of other decorative products to sister companies within the Group and reduced shipments on a long-standing supply arrangement for brand protection holograms

Total revenues of £9 6m were down 26% (2012 £13 0m) with inter-company sales accounting for £2 8m of the shortfall Further progress was made in developing direct sales to customers in the security and authentication market following the significant growth achieved last year However new business was insufficient to compensate for the reduction in orders on an established contract due to de-stocking ahead of the customer taking an increased proportion of the work in-house In response operating costs were reduced by £0 5m but this was not enough to compensate for the fall in sales contribution in a business with relatively high gross margins and fixed costs

The programme to strengthen API s proposition in the security and authentication market commenced with the upgrade of the Salford production facility investment to provide additional product features and commencement of a joint venture for holographic origination The £1 6m of capital additions in the period represents approximately half of the total investment approved by the Board

Total revenue (£m)

£9 6m

	external	inter-company
2013	**7 6**	**2 0**
2012	8 1	4 9
2011	5 9	4 9

Operating profit (£m)

(£0 3m)

2013	**(0 3)**
2012	1 6
2011	0 6

OUR STRATEGY IN ACTION

HIGH SECURITY

Resisting the threat from counterfeiting and identity fraud requires constant innovation and high-tech design solutions.

With worldwide trade in counterfeit goods increasing year-by-year and the threat from international terrorism and organised crime at an all-time high, concern for brand and document security has never been greater

The security and authentication market represents a key growth opportunity for API Holographics and the Group is investing accordingly

Recently-approved capital projects include a modernised, high security site at Salford, advanced design and origination and custom equipment for production of new security features With these capabilities, Holographics will be able to provide an end-to-end, in-house solution for the holographic security market

The most prestigious and high value applications demand the highest levels of security and integrity of supply Our upgraded manufacturing facility includes perimeter security, controls for employee and visitor access and monitoring and surveillance systems specified to meet recognised European standards

Our new holographic origination centre is already producing master images by electron beam lithography, with further leading-edge developments in the pipeline

As a longstanding, high quality supplier to the holographics industry and a member of the International Hologram Manufacturers Association, API is a trusted partner in the security and authentication sector An enhanced range of solutions to offer the market provides the platform for the next chapter in the development of the business

FINANCIAL REVIEW

"Underlying diluted earnings per share of 8.7p represents a 36% increase on the prior year."

Chris Smith
Group Finance Director

Underlying diluted EPS* (pence per share)

8 7p

Year	EPS
2013	**8 7**
2012	6 4
2011	3 4
2010	4 1

*from continuing operations

Net debt (£m)

£2 6m

Year	Net debt
2013	**2 6**
2012	3 6
2011	8 5
2010	18 5

Central costs

Central costs for the twelve months to March 2013 were £0 4m lower than the previous year due primarily to reduced incentive payments and the non-recurrence of a number of one-off charges affecting the prior year

Impairment

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

Exceptional items

Costs totalling £0 5m were incurred during the year in relation to the formal sale process initiated in September 2012 In February 2013 the Board announced the termination of the process having concluded that a sale of the Group was unlikely to gain sufficient recognition for the underlying value of the business or to deliver the best outcome for shareholders

Other costs classified as exceptional relate primarily to reorganisation costs in both Foils Europe and Holographics

Further details are provided in Note 5 to the financial statements

Finance costs

For the twelve months ended 31 March 2013 net finance costs were down by £0 2m to £1 6m Finance costs associated with the Group s defined benefit pension plans increased £0 1m as a result of a higher levy by the UK Pension Protection Fund partly offset by lower investment management and advisory fees Financing costs relating to bank facilities reduced by £0 2m predominantly due to lower average debt levels and the conclusion of an interest rate hedge on a portion of UK borrowings Further details are provided in Note 6 to the financial statements

Taxation

The income statement for the year to 31 March 2013 includes a nil net tax charge (2012 £0 1m) Current taxation of £0 1m has been offset by a deferred tax credit of £0 1m

The Group s potential liability for corporation tax on profits continues to benefit from prior years accumulated tax losses in both the UK and USA and non-utilised UK capital allowances In the period a deferred tax charge of £1 5m (2012 £1 3m) has been balanced by a deferred tax credit of £1 6m (2012 £1 3m) mostly from further recognition of historic tax losses in Foils Americas

A full reconciliation of the tax charge is shown in Note 7(d) to the financial statements

The net deferred tax recognised in the Group s balance sheet increased during the year to £6 4m (2012 £4 9m) primarily as a result of an increase in the deferred tax assets related to the UK and US pension deficits (£1 0m) and US tax losses

Remaining unrecognised tax losses at 31 March 2013 of £2 8m in the UK (2012 £4 2m) and $9 0m in the US (2012 $12 6m) are in addition to unclaimed capital allowances in the UK of £3 9m (2012 £5 4m)

Earnings per share

Diluted earnings per share grew 17% to 7 5p compared to 6 4p for the year ending 31 March 2012 Excluding exceptional items diluted earnings per share of 8 7p represents a 36% increase on the prior year

Shareholders' funds

The Group s net assets increased to £22 9m at 31 March 2013 up 7 5% (£1 6m) on the position one year earlier

Borrowings and liquidity

The Group policy is to ensure that banking facilities are adequate to support average debt levels and to provide flexibility to meet foreseeable peak borrowing requirements depending especially on the variation in working capital needs and the timing of capital expenditure Facilities are in place to independently finance the Group s main operations based in the UK and North America

The Group s UK banking facilities are with Barclays Bank plc and were recently extended until July 2014 Facilities at 31 March 2013 totalled £12 8m (2012 £16 5m) comprising loans of £4 0m amortising over the term of the facility a term loan of £3 8m repayable at the end of the facility agreement and a multi-option overdraft facility of £5 0m renewable in November 2013 UK borrowings are secured against the Group s UK assets and are subject to quarterly financial covenant targets

In North America bank facilities are with Wells Fargo Bank and following a recent review are now in place to April 2015 Facilities comprise $1 2m (2012 $1 5m) amortising loans and a $5 5m asset backed overdraft facility Borrowings are secured on working capital plant and equipment and the Kansas property and are subject to quarterly covenant targets

Foreign currency exchange rates

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

Rate to £1	US $	Euro
31 March 2013		
Average	**1 58**	**1 23**
Closing	**1 52**	**1 18**
31 March 2012		
Average	1 59	1 16
Closing	1 60	1 20

Pensions

The Group operates a number of pension schemes for the benefit of its past and current employees UK and US defined benefit pension plans both of which are closed to future accrual are accounted for under IAS 19 At 31 March 2013 the Group s IAS 19 gross pension liability was assessed at £13 3m (2012 £8 6m) When adjusting for the recognised deferred tax asset of £3 1m (2012 £2 1m) the net liability amounts to £10 2m (2012 £6 5m)

In the UK the API Group plc Pension and Life Assurance Fund has approximately 1 520 pensioners and deferred members The fund has admitted no new members since October 2006 and the scheme was closed to future service accrual on 31 December 2008 At 31 March 2013 the net liabilities of the fund were assessed at £12 3m (2012 £7 6m) The discount rate used to estimate the present value of scheme liabilities was down again from the already historically low levels applying at March 2012 The change in the discount rate from 4 85% to 4 30% resulted in an increase of £7 9m in calculated liabilities over the year Inflation assumptions also rose slightly adding a further £1 5m to the net liabilities whilst the fund s assets performed well assisted by buoyant stock markets returning double the assumed rate of 5 2% and narrowing the deficit by £3 9m In line with the 2011 agreement with the scheme Trustees the fund received a deficit-reduction contribution from the Company of £0 7m (2012 £0 7m)

The UK scheme s last triennial valuation was assessed on its position at 30 September 2010 The Trustees will commence the next valuation as at 30 September 2013 later this year with a completion deadline of 31 December 2014 The Company continues to pay all pension-related administration fees on behalf of the Fund

In 2004 the US defined benefit pension plan was closed to new entrants and future accrual Membership is approximately 170 current and past employees Details of the net deficit of £1 0m (2012 £1 1m) are included in Note 18 to the financial statements

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

PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT

Our management structure, business reporting and risk management processes ensure we are both informed of and responsive to business and marketplace trends, thereby making timely and informed strategic and tactical decisions

Financial risks

Area of risk	Description	Potential impact	Mitigation
Foreign currency	With operations in nine 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	If considered appropriate the Group uses swap hedge instruments to convert a portion of its debt from floating to fixed interest rate
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 The Group regularly assesses the cost and benefits of credit insurance and procures coverage as considered appropriate
Liquidity	Liquidity risk refers to the risk that the Group may not be able to settle or meet its financial obligations on time or at a reasonable price This will arise from mismatches between cash inflows and outflows from the business	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 rolling twelve-month trading forecasts from the businesses and annual budgets agreed by the Board before the start of each financial year
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
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 less well developed regions both through the creation of directly owned distribution hubs or developing relationships with third-party distributors
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 constantly monitors the prices of raw materials and utilities When it is deemed to be advantageous fixed price contracts are entered into in order to protect margins
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

SAFETY, HEALTH AND ENVIRONMENT ("SHE")

EXCEEDING SUSTAINABILITY REQUIREMENTS

The Group operates in a manner which aims to eliminate the possibility of its activities causing harm to people and the environment

Recycling
A focus on waste management reduced material going to landfill by 45%

Electric car points
Facilities now available at Salford site for car charging

- Significant progress on waste management at manufacturing locations
- Investment in energy saving projects
- Disappointing year for accident performance after three successive years of improvement

The Board considers that the management of safety health and environment form a key element of the Group s corporate governance activities The Board has ultimate responsibility for SHE policy and performance receiving updates on a monthly basis and reviewing performance at each Board meeting The Chief Executive is accountable to the Board for overall leadership of the Group s SHE management programme

The Group operates its businesses in a manner which aims to eliminate the possibility of its activities causing harm to people and the environment The Group s SHE policy provides a framework and guidelines for business units to ensure that they meet or exceed all applicable legal and regulatory requirements and maintain suitably active and directed management programmes at site level There is a clear emphasis on the responsibilities of local management teams with oversight through line management and support from Group resources

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As an integral part of the reporting cycle all sites report monthly on SHE performance Routine reporting encompasses a comprehensive suite of safety and environmental statistics and written details of any significant events are provided to the Group Chief Executive on a timely basis Each site completes an annual review of performance including progress against annual objectives and sets out a plan of improvements for the year ahead As a matter of policy SHE is placed first on the agenda of all regular business review meetings including Board meetings It is normal practice for at least one SHE item to be included on the list of personal objectives for all business unit general managers and operations managers which are in turn linked to the annual bonus scheme

Health and safety

The Group s first priority in the workplace continues to be the health, safety and welfare of its employees and all those who visit the Company s operations API has an excellent health and safety record and a culture of safety is deeply embedded within the Group The Chief Executive has primary responsibility for setting the principal health and safety objectives within which detailed policies operate and for reviewing progress against those objectives The Company has designed procedures and developed a health and safety culture which aims for continuous improvement and the sharing of best practice in addition to strict compliance with applicable laws and regulations

Skill development is a key element of the Group s SHE approach and it encourages this through the organisation and funding of both internal and external health and safety training The Group SHE policy defines minimum training standards for nominated safety officers on each site and all supervisors and managers with responsibility for production operations With the assistance of specially trained personnel and input from Safety Committees all employees are involved in implementing the Company s Health and Safety Management system

Significant health and safety incidents (employee injuries work-related illnesses and dangerous occurrences) are defined in Group policy and statistics compiled for review by management and the Board For the twelve months to 31 March 2013 the total number of Group-reportable incidents per 100 000 working hours was recorded as 3 03 compared to 2 12 for the prior year Within this total the frequency of Lost Time Accidents ("LTA" – accidents leading to more than one day of absence from work) increased from 0 20 to 1 05 which was the equivalent to ten LTAs Group-wide for the twelve-month period (2012 two) LTA-related absence logged during the year to 31 March 2013 but connected with incidents occurring in both the latest and prior years was 555 days compared to 281 for the prior year This performance was disappointing and brought to an end a run of three consecutive year-over-year reductions in SHE incidents In response, SHE programmes for the 2013/14 are receiving particular attention at the five manufacturing sites which were responsible for all of the Group-reportable incidents in the year just ended

The risk of fire and explosion at any of the Group s five manufacturing plants is mitigated by constant attention to best practice techniques processes and controls In 2011 the Group introduced its Fire and Explosion Prevention Standard a comprehensive guide for site management teams with each location monitoring its risk rating monthly As part of annual SHE plans and financial budgets sites set targets to improve their risk rating At the end of the latest twelve-month period the average rating had improved from 328 to 345 out of a maximum achievable score of 400

The environment

API is committed to ensuring good environmental practice relating to its operational processes and investment decisions A number of API s principal manufacturing sites are ISO 14001 accredited and all of the Company s operations comply with applicable waste management regulations

The Group continues to invest in systems and equipment to ensure that environmental performance is measured and improved in the key areas of solvent emissions energy efficiency noise process and packaging waste and soil/ groundwater protection For the past two years the Group has been compiling standardised data on total waste as a proportion of the weight of all materials consumed and energy consumption per unit of sale For the year ended 31 March 2013 total environmental waste increased 0 2% to 13 6% whilst unit energy consumption reduced by 1 8% to 217 Whr per square metre Whilst no progress was made in reducing the total waste a key focus on better waste management at two manufacturing sites reduced landfill waste by 45% or just less than 1 000 tonnes A number of capital investment projects with total expenditure of £215 000 were targeted at more energy efficiency lighting power transformation air compressors and process cooling and all key machine investments including electrical drive upgrades on two coaters, delivered reduced electrical consumption amongst other benefits

Two (2012 three) environmental incidents were logged under the Group s internal reporting during the past year These incidents comprised a small solvent spill and a noise complaint following the relocation of equipment Both events were dealt with promptly and notified to relevant authorities as appropriate

BOARD OF DIRECTORS

Richard Wright
Chairman
Richard joined the Board on 3 September 2001 and was appointed Chairman on 1 February 2006 He is a member of the Nomination Remuneration and Audit Committees Richard previously held senior executive roles with the Ford Motor Company including Director European operations at Jaguar Cars Limited Director of Sales Ford Motor Company Limited and President/Managing Director of Ford Belgium NV He is currently Chairman of Caffyns plc and a member of the Board of WBS Warwick University Business School He is the former Chair of the Board of National Savings and Investments

Andrew Turner
Group Chief Executive
Andrew joined the Board in October 2007 as Group Chief Executive He is a graduate mechanical engineer with an MBA and has over 20 years experience in the packaging sector Prior to joining API Andrew was Global Vice President Marketing & Sales for the Tobacco Packaging division of Alcan the worldwide aluminium producer and prior to that he was Divisional Managing Director with Field Group plc the printed paperboard packaging company with responsibility for operations in the UK Germany and Spain

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

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

Max Batzer
Non-executive Director
Max joined the Board in October 2007 and is Chairman of the Nomination Committee and a member of the Remuneration Committee Max is a Portfolio Manager at Wynnefield Capital Inc which has a significant beneficial interest in the Company s shares He is also a Director of Integral Wealth Management and has previously held positions as Chairman and CEO of Diagnostic Health Services Director of Cornell Companies Inc Director and Executive Committee member of Simmons Airlines Inc and President of General Hide and Skin Corporation

Luke Wiseman
Non-executive Director
Luke joined the Board in September 2006 and is a member of the Audit and Remuneration Committees Luke is a Director of the Olivetree Financial Group a London based financial technology business He was previously Chairman of Barbican Group Holdings Limited and a Director of Steel Partners (UK) Limited, whose affiliates have a significant beneficial interest in the shares in the Company

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DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the year ended 31 March 2013 The Corporate Governance statement on pages 29 to 31 form part of this Directors Report

Principal activities
API Group plc is the holding company of a group of companies which manufacture and distribute specialty foils, films and laminated materials used primarily in the graphics and packaging industries for brand enhancement and protection The principal operating companies of the Group during the period are listed on page 68

Results, Business Review and future developments
The Group Income Statement is set out on page 34

The Directors Report should be read together with the Chairman s Statement on pages 8 and 9 and the Business Review on pages 10 to 23 which set out a review of the Group s activities performance and development

Directors
The Directors who served on the Board of the Company during the year to 31 March 2013 were

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

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

Mr Wright and Mr Wiseman were last re-elected by shareholders at the 2010 Annual General Meeting and will therefore offer themselves for re-election at the 2013 Annual General Meeting Their biographical details can be found on page 24 The Board recognises and values the performance and contribution of both Mr Wright and Mr Wiseman and recommends their re-election

Details of Directors share options and emoluments (required to be disclosed in accordance with the AIM Rules for Companies) are set out in the schedule of Directors Emoluments on pages 27 and 28

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

	% of issued share capital
Steel Partners II LP	32 4
Wynnefield Capital Inc	29 7
Crystal Amber Fund Limited	11 0
Hargreave Hale Nominees Limited	7 0
API Group plc No 2 Employee Benefit Trust	3 9

Principal risks and uncertainties
The Board meets regularly to review operations and to discuss risk areas The Corporate Governance report contains details of the Group s internal control system Pages 20 and 21 of the Business Review contain information on the principal risks facing the Group and Note 22 to the financial statements contains details of sensitivity to financial risks

Safety, health and the environment
One of the Group s primary objectives is to achieve high standards of safety for its employees and this is the first item on the Agenda at the Company s Board meetings Pages 22 and 23 of the Business Review contain information on the Group s objectives and performance with regard to safety health and the environment

Employees
The Board is aware of the importance of good relationships and communication with employees The Group takes appropriate steps to inform employees of the circumstances facing its businesses and their progress and plans to promote a sense of common endeavour towards the success of the organisation The Company encourages consultation and communication at site level so that it may take the views of its employees into account when making decisions which are likely to affect their interests Training and development of employees is given due priority and the Group also operates a number of incentive schemes which encourage employees to contribute directly to the achievement of the Group s goals and reward individual and collective success

DIRECTORS' REPORT CONTINUED

Employees continued

Both employment policy and practice in the Group are based on non-discrimination and equal opportunity irrespective of age disability race religion or belief gender sexual orientation gender re-assignment colour nationality ethnic or national origin and marital or civil partner status The Group endeavours to give full and fair consideration to the possibility of employing disabled people wherever a suitable vacancy arises Disabled employees have the same opportunities as other employees in relation to training career development and promotion

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

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

Payments to suppliers

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

Charitable and political donations

Charitable donations made by the Group during the period amounted to £1 514 (2012 £2 231) There were no political donations

Going concern

The trading and financial position of the Group including its cash flows liquidity situation and borrowing facilities are set out in the Business Review on pages 10 to 23 The Principal Risks and Uncertainties that could impact on the future development of the Group s operating and financial performance are outlined on pages 20 and 21 of the Business Review The Group s main borrowing facilities in the UK and the US are committed until July 2014 and April 2015 respectively

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

Directors' statement as to disclosure of information to the Auditor

The Directors who were members of the Board at the time of approving the Directors Report are listed on page 25 Having made enquiries of fellow Directors and of the Company s Auditor each of those Directors confirms that as at the date of this report as far as each Director is aware there is no relevant information of which the Company s Auditor is unaware Each Director has taken such steps as he might reasonably be expected to take as a Director in order to make himself aware of information which might be relevant to the Company s Auditor and whether the Auditor is in possession of such information

Auditor

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

By order of the Board

Wendy Baker
Company Secretary
4 June 2013

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

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DIRECTORS' EMOLUMENTS

The emoluments of the Directors are as follows

Year ended 31 March 2013	Aggregate emoluments £000	Pension contributions £000	Total £000
Executive Directors			
Andrew Turner[1]	**324**	**21**	**345**
Chris Smith[2]	**182**	**14**	**196**
Non-executive Directors			
Richard Wright[3]	**77**	–	**77**
Andrew Walker[4]	**37**	–	**37**
Luke Wiseman[5]	**27**	–	**27**
Max Batzer[6]	**30**	–	**30**
	677	**35**	**712**

Year ended 31 March 2012	Aggregate emoluments £000	Pension contributions £000	Total £000
Executive Directors			
Andrew Turner	383	22	405
Chris Smith	225	14	239
Non-executive Directors			
Richard Wright	67	–	67
Andrew Walker	34	–	34
Luke Wiseman	26	–	26
Max Batzer	30	–	30
	765	36	801

1 Mr Turner received an annual increase on his basic salary of 2 5% with effect from 1 January 2013 The 2013 aggregate emoluments also include a bonus award of £39 000 (2012 £119 000) as determined by the Remuneration Committee based on a bonus plan related to financial and operating targets

2 Mr Smith received an increase of 9 1% on his basic salary with effect from 1 January 2013 The 2013 aggregate emoluments also include a bonus award of £26 000 (2012 £77 000) as determined by the Remuneration Committee based on a bonus plan related to financial and operating targets

3 Mr Wright s annual fee was increased by 3 5% with effect from 1 June 2012 During the year Mr Wright received an additional fee of £20 000 (2012 £12 000) that related to extra time spent on the sale process which ended in February 2013

4 Mr Walker s annual fee was increased by 4 8% with effect from 1 June 2012 During the year Mr Walker received an additional fee of £5 000 (2012 £3 000) that related to extra time spent on the sale process which ended in February 2013

5 Mr Wiseman s annual fee was increased by 3 8% with effect from 1 June 2012

6 Mr Batzer s annual fee was increased by 3 8% with effect from 1 June 2012 During the year Mr Batzer received an additional fee of £3 000 (2012 £4 000) that related to extra time spent on the sale process which ended in February 2013

DIRECTORS' EMOLUMENTS CONTINUED

Share options

2006 Performance Share Plan

The Executive Directors hold "nil" cost options under the 2006 Performance Share Plan over the Company s ordinary shares of 1p as follows

	Andrew Turner Number	Chris Smith Number	Total Number
At 31 March 2011	800 000	325 000	1 125 000
Lapsed during the year	(396 800)	(161 200)	(558 000)
At 31 March 2012	403 200	163 800	567 000
Exercised during the year	–	(163 800)	(163 800)
At 31 March 2013	**403,200**	**–**	**403,200**

These options were granted on 28 March 2008 to Mr Turner and on 30 September 2008 to Mr Smith and they were subject to the achievement of profit-related targets Following the determination of the Remuneration Committee taking into account profit related targets 50 4% of Mr Turner's options vested on 7 June 2011 and 50 4% of Mr Smith s options vested on 30 September 2011 ("Vested Options") and the remainder lapsed in accordance with the scheme rules Mr Turner s Vested Options are exercisable between 7 June 2011 and 8 June 2018 Mr Smith exercised his options on 1 March 2013 and the gain arising thereon was £91,523

Long Term Incentive Plan ("LTIP")

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

	Andrew Turner Number	Chris Smith Number	Total Number
At 31 March 2011 and 31 March 2012	1 800 000	1 200 000	3,000 000
Contingent shares vested June 2012	(577 856)	(385 237)	(963 093)
At 31 March 2013	**1,222,144**	**814,763**	**2,036,907**

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

Following the financial year ended 31 March 2013, the Remuneration Committee has determined in accordance with the scheme rules and based on the performance criteria reflecting increases in shareholder value that 323 631 contingent shares held by Mr Turner and 215 754 contingent shares held by Mr Smith had vested in June 2013

The shares that have vested are held in the API Group plc No 2 Employee Benefit Trust ("Trust") and when the relevant steps are taken by the trustee of the Trust the vested shares will be transferred to the participants at nil cost Full details are given in Note 20 to the consolidated financial statements

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CORPORATE GOVERNANCE

The Board has adopted the Quoted Companies Alliance Guidelines (the "Guidelines") for AIM listed companies which has been applied to ensure good levels of governance are maintained

The Board

The Board consists of a Non-executive Chairman two Executive Directors and three Non-executive Directors A short biography of each Director which illustrates their wide range of experience is set out on page 24

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

Andrew Walker is the Senior Independent Director Notwithstanding his length of service on the Board Andrew Walker is considered by the Board to be independent of management and free from any business or other relationships which could materially interfere with the exercise of his judgement Andrew has held both executive and non-executive directorships in the manufacturing and service sectors and accordingly he brings a wealth of knowledge and experience to the Board Luke Wiseman and Max Batzer have each been designated by the Board as non-independent by virtue of their associations with major shareholders Steel Partners II LP and Wynnefield Capital Inc respectively Each Non-executive Director participates in the Board s deliberations and constructively challenges the Executive team and helps develop proposals on strategy for the Group

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

The Board was scheduled to meet 8 times during the year and in fact met 13 times Each Director attended all Board meetings with the exception that Luke Wiseman was unable to attend one unscheduled meeting which was called at short notice The Board manages the Company through a formal schedule of matters reserved for its decision These include overall management of the Company financial reporting and controls material agreements non-recurring projects treasury audit and risk management remuneration corporate governance and corporate responsibility

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

The Board receives appropriate documentation and financial information which is provided in advance of each Board meeting This includes monthly management accounts reports on current trading and papers on matters in respect of which the Board makes decisions or is invited to give its approval Regular reports are given to the Board on such matters as insurance and treasury issues legal matters pensions and health safety and environmental issues Specific presentations are also made on business or strategic issues as appropriate Regular presentations are received from the General Manager of each of the Group s principal operating businesses in respect of its market position current trading and prospects

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

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

The Articles of Association of the Company contain provisions for the benefit of Directors officers and employees of the Company and its subsidiary and associated companies indemnifying them out of the assets of the Company to the full extent allowed by the law against liabilities incurred by them in the course of carrying out their duties In addition and in accordance with the Company s Articles of Association and the extent permitted by the laws of England and Wales the Company has granted qualifying third-party indemnities to each of its current Directors which remain in force Copies of such indemnities are available for inspection upon application to the Company Secretary and at the forthcoming Annual General Meeting

CORPORATE GOVERNANCE CONTINUED

Audit Committee

The Audit Committee consists of Andrew Walker (Chair) Richard Wright and Luke Wiseman The Committee met twice in the year and all Committee members were present at each meeting Mr Smith and the Company s Auditor were both in attendance at those meetings The Committee also met the Company s Auditor without the Executive Directors being present

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

Internal control and risk management

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

Key features of the internal control system are as follows

- the Group has an organisational structure with clearly established responsibilities and lines of accountability
- the Group promotes the values of integrity and professionalism The members of the Board are available to hear in confidence any individual s concerns about improprieties
- the Audit Committee reports at least twice per year to the Board and provides details and results of the external audit reviews
- each business unit is expected to operate in accordance with an adopted system of core financial controls External advisers are engaged to test the application of such controls rating and classifying performance identifying strengths and weaknesses and recommending any improvements that need to be made These findings are reported to the Audit Committee
- the Board has a schedule of matters expressly reserved for its consideration This schedule includes acquisitions major capital projects treasury and risk management policies approval of budgets and health and safety,
- an ongoing risk management process has been implemented which identifies the key business risks facing the Group including both financial and operational risks The key business risks are reviewed by the Board at least twice per year and changes in operational risks are reviewed at every Board meeting
- the controls in place to minimise the occurrence of risk are documented and analysed for effectiveness These include procedures for the approval of major expenditure or commitment of resources
- the Board monitors the activities of the Group through the management accounts monthly forecasts and other reports on current activities and plans The executive management monitors financial and operational performance in detail and takes any necessary corrective action, and
- the Group operates a Whistleblowing Policy enabling any individual with a concern to approach the Board Chairman or Audit Committee Chairman in confidence

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

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Remuneration Committee

Andrew Walker chairs the Remuneration Committee and the other members are Richard Wright, Max Batzer and Luke Wiseman who was appointed to the Committee on 20 March 2013 The Committee met six times during the year and all members were present at those meetings On occasions and for matters not related to him the Group Chief Executive attends meetings and is consulted on proposals relating to the remuneration of members of the Group s senior management team

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

No Director was involved in deciding the level and composition of his own remuneration The remuneration of Non-executive Directors including the Chairman is reviewed and determined by the other members of the Board

Nomination Committee

The Committee comprises Max Batzer (Chair) and Richard Wright When appropriate non-committee members including the Executive Directors are invited to participate in discussions and matters being addressed by the Committee Its principal responsibility is to ensure that appropriate procedures are in place for the nomination selection and succession of Directors and senior executives The Committee met once during the year to consider the Board composition and the recruitment of a new General Manager for the Holographics business, both members of the Committee attended the meeting

Relations with shareholders

The Company attaches great importance on maintaining good relationships with shareholders The Directors meet with major shareholders and discuss the performance of the Group primarily following the announcement of the final and interim results During the year and when permitted to do so the Board also engaged in a dialogue with major shareholders regarding the sale process Queries or issues raised by shareholders are promptly addressed by whoever on the Board is best placed to do so Investors are encouraged to participate in the Annual General Meeting at which the Chairman presents a review of the Company s results and provides comments on current business activity The Chairmen of the Remuneration Nomination and Audit Committees attend the Annual General Meeting to answer questions which may be relevant to the work of those Committees

The Company s Financial Calendar is set out on page 72 The Company's website provides financial and other business information about the Group including an archive of past announcements annual reports and share price information

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year Under that law and as required by the AIM rules the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) Under that law, the Directors have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

Under company law the Directors must not approve the Group and Parent Company 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 their profit or loss for that period In preparing these financial statements the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent
- present information including accounting policies in a manner that provides relevant reliable comparable and understandable information
- present fairly the Group financial position financial performance and cash flows
- provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the EU is insufficient to enable users to understand the impact of particular transactions other events and conditions on the Group s financial position and financial performance
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the EU,
- state whether applicable UK Accounting Standards have been followed in preparing the Parent Company financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company s transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the Group and Parent Company financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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INDEPENDENT AUDITOR'S REPORT

to the Members of API Group plc

We have audited the consolidated financial statements of API Group plc for the year ended 31 March 2013 which comprise the Group Income Statement the Group Statement of Comprehensive Income the Group Balance Sheet the Group Statement of Changes in Equity and the Group Cash Flow Statement and the related notes 1 to 25 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union

This report is made solely to the Company s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company s members those matters we are required to state to them in an auditor s report and for no other purpose To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Company and the Company s members as a body for our audit work for this report or for the opinions we have formed

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors Responsibilities Statement set out on page 32 the Directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board s Ethical Standards for Auditors

Scope of the audit of the consolidated financial statements

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

Opinion on consolidated financial statements

In our opinion the consolidated financial statements

- give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of the Group s profit for the year then ended
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the Parent Company financial statements of API Group plc for the year ended 31 March 2013

Ernst & Young LLP

Colin Brown (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Manchester
4 June 2013

1 The maintenance and integrity of the API Group plc website is the responsibility of the Directors the work carried out by the Auditor does not involve consideration of these matters and accordingly the Auditor accepts no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website

2 Legislation in the United Kingdom governing the preparation and dissemination of consolidated financial statements may differ from legislation in other jurisdictions

GROUP INCOME STATEMENT

for the year ended 31 March 2013

	Note	Year ended 31 March 2013 £ 000	Year ended 31 March 2012 £ 000
Revenue	2	**112,426**	113 935
Cost of sales		**(84,179)**	(87 149)
Gross profit		**28,247**	26 786
Distribution costs		**(4,249)**	(3 886)
Administrative expenses (excluding exceptional items)		**(15,531)**	(16 022)
Operating profit before exceptional items	2 3	**8,467**	6 878
Exceptional items	5	**(1,029)**	–
Operating profit		**7,438**	6 878
Finance revenue	6	**10**	13
Finance costs	6	**(1,632)**	(1 832)
		(1,622)	(1 819)
Profit before taxation		**5,816**	5 059
Tax expense	7	**(41)**	(105)
Profit for the year		**5,775**	4 954
Earnings per share (pence)			
Basic earnings per share on profit for the year	8	**7 8**	6 7
Underlying basic earnings per share on profit for the year	8	**9 1**	6 7
Diluted earnings per share on profit for the year	8	**7 5**	6 4
Underlying diluted earnings per share on profit for the year	8	**8 7**	6 4

All profits are attributable to equity holders of the Parent and relate to continuing operations

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

	Year ended 31 March 2013 £ 000	Year ended 31 March 2012 £ 000
Profit for the year	**5,775**	4 954
Exchange differences on retranslation of foreign operations	**703**	(4)
Change in fair value of cash flow hedges	**(639)**	937
Actuarial (losses)/gains on defined benefit schemes	**(5,493)**	300
Tax on items relating to components of other comprehensive income	**1,288**	(419)
Other comprehensive income for the year, net of tax	**(4,141)**	814
Total comprehensive income for the period attributable to equity holders of the Parent	**1,634**	5 768

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GROUP BALANCE SHEET

at 31 March 2013

	Note	31 March 2013 £'000	31 March 2012 £'000
Assets			
Non-current assets			
Property plant and equipment	9	**21,313**	17,936
Intangible assets – goodwill	10	**5,188**	5,188
Investment in joint venture interest	12	**378**	–
Trade and other receivables	13	**—**	32
Financial assets		**152**	–
Deferred tax assets	7	**6,617**	5,230
		33,648	28,386
Current assets			
Trade and other receivables	13	**15,811**	15,485
Inventories	14	**12,864**	12,237
Other financial assets		**184**	474
Cash and short-term deposits	15	**6,189**	10,068
		35,048	38,264
Total assets	2	**68,696**	66,650
Liabilities			
Current liabilities			
Trade and other payables	16	**22,428**	22,261
Financial liabilities	17	**3,766**	4,522
Income tax payable		**373**	307
		26,567	27,090
Non-current liabilities			
Financial liabilities	17	**5,574**	9,237
Deferred tax liabilities	7	**211**	307
Provisions		**66**	76
Deficit on defined benefit pension schemes	18	**13,349**	8,618
		19,200	18,238
Total liabilities		**45,767**	45,328
Net assets		**22,929**	21,322
Equity			
Called up share capital	19	**767**	767
Share premium		**7,136**	7,136
Other reserves	21	**8,816**	8,816
Foreign exchange reserve	21	**958**	255
Retained profit		**5,252**	4,348
Equity shareholders' funds		**22,929**	21,322

Signed on behalf of the Board

Andrew Turner
Director
4 June 2013

Company number 169249

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2013

	Equity share capital £ 000	Share premium £ 000	Other reserves £ 000	Foreign exchange reserve £ 000	Retained earnings £ 000	Total shareholders equity £ 000
At 1 April 2011	766	7 136	8 565	259	(1,433)	15 293
Profit for the year	–	–	–	–	4 954	4 954
Other comprehensive income						
Exchange differences on retranslation of foreign operations	–	–	–	(4)	–	(4)
Change in fair value of effective cash flow hedges	–	–	–	–	937	937
Actuarial gains on defined benefit pension schemes	–	–	–	–	300	300
Tax on items relating to components of other comprehensive income	–	–	–	–	(419)	(419)
Total comprehensive income for the year	–	–	–	(4)	5 772	5 768
Issue of shares	1	–	–	–	–	1
Shares acquired by the Company	–	–	–	–	(1)	(1)
Shares acquired by Employee Benefit Trust	–	–	(11)	–	–	(11)
Transferred on exercise of share options	–	–	262	–	(262)	–
Share-based payments	–	–	–	–	185	185
Tax relating to items accounted for directly through equity	–	–	–	–	87	87
At 31 March 2012	767	7 136	8 816	255	4 348	21 322
Profit for the year	–	–	–	–	**5,775**	**5,775**
Other comprehensive income						
Exchange differences on retranslation of foreign operations	–	–	–	**703**	–	**703**
Change in fair value of effective cash flow hedges	–	–	–	–	**(639)**	**(639)**
Actuarial losses on defined benefit pension schemes	–	–	–	–	**(5,493)**	**(5,493)**
Tax on items relating to components of other comprehensive income	–	–	–	–	**1,288**	**1,288**
Total comprehensive income for the year	–	–	–	**703**	**931**	**1,634**
Shares acquired by Employee Benefit Trust	–	–	**(94)**	–	–	**(94)**
Transferred on exercise of share options	–	–	**94**	–	**(94)**	–
Share-based payments	–	–	–	–	**85**	**85**
Tax relating to items accounted for directly through equity	–	–	–	–	**(18)**	**(18)**
At 31 March 2013	**767**	**7,136**	**8,816**	**958**	**5,252**	**22,929**

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GROUP CASH FLOW STATEMENT

for the year ended 31 March 2013

	Note	Year ended 31 March 2013 £ 000	Year ended 31 March 2012 £ 000
Operating activities			
Group profit before tax		**5,816**	5 059
Adjustments to reconcile Group profit before tax to net cash flow from operating activities			
Net finance costs		**1,622**	1 819
Depreciation of property plant and equipment		**2,173**	2 368
Profit on disposal of property plant and equipment		**(5)**	(2)
Movement in fair value foreign exchange contracts		**(38)**	(83)
Share-based payments		**85**	185
(Increase)/decrease in inventories		**(361)**	156
(Increase)/decrease in trade and other receivables		**(101)**	1 260
Increase/(decrease) in trade and other payables		**68**	(304)
Decrease in provisions		**(10)**	(9)
Cash generated from operations		**9,249**	10 449
Interest paid		**(583)**	(832)
Pension contributions and scheme expenses paid		**(1,625)**	(1 539)
Income taxes paid		**(50)**	(171)
Net cash flow from operating activities		**6,991**	7 907
Investing activities			
Interest received		**10**	13
Purchase of property plant and equipment		**(5,296)**	(2 736)
Investment in joint venture		**(378)**	—
Sale of property plant and equipment		**23**	5
Net cash flow from investing activities		**(5,641)**	(2 718)
Financing activities			
Proceeds from share issues		**—**	1
Purchase of shares by the Company		**—**	(1)
Purchase of shares by Employee Benefit Trust		**(94)**	(11)
New borrowings		**—**	1 913
Repayment of borrowings		**(4,148)**	(996)
Net cash flow from financing activities		**(4,242)**	906
(Decrease)/increase in cash and cash equivalents		**(2,892)**	6 095
Effect of exchange rates on cash and cash equivalents		**25**	8
Cash and cash equivalents at the beginning of the year	15	**8,822**	2 719
Cash and cash equivalents at the end of the year	15	**5,955**	8 822

The presentation of the Group Cash Flow Statement has been changed from previous years Interest is now included in net cash flow from operating activities instead of net cash from financing activities The impact of this is to reduce net cash flow from operating activities by £583,000 (2012 £832 000) and to increase net cash flow from financing activities by the same amounts The Directors consider the revised presentation to better reflect the underlying nature of the cash flows and are in accordance with internal management reporting

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 March 2013

1 Group accounting policies
Authorisation of financial statements
The Group s financial statements for the year ended 31 March 2013 were authorised for issue by the Board of Directors on 4 June 2013 and the balance sheet was signed on the Board s behalf by Andrew Turner Group Chief Executive

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

Basis of preparation and statement of compliance with IFRS
The Group s financial statements have been prepared under the historical cost convention in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 March 2013 and applied in accordance with the Companies Act 2006 The Group has applied optional exemptions available to it under IFRS 1

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

Going concern
The 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

Accounting policies
The principal accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2013 These policies have been consistently applied to all periods presented unless otherwise stated

The following new and amended standards and interpretations came into effect for accounting periods commencing on or after 1 April 2012 Insofar as they are relevant to the Group s operations adoption of these revised standards and interpretations did not have any material effect on the financial statements of the Group

- IAS 12 – Income taxes (amendment)

At the date of the authorisation of these financial statements the following standards which have not been applied in these financial statements were in issue but not yet effective The Directors anticipate that the Group will adopt these standards and interpretations with effect from the commencement of the first accounting period after the relevant effective dates (or if later with effect from the commencement of the first accounting period after the relevant standards are adopted by the European Union)

International Accounting Standards (IAS/IFRS)	Effective date
• IAS 1 – Presentation of items of other comprehensive income (amendments)	1 July 2012
• IFRS 10 – Consolidated financial statements	1 January 2013
• IAS 27 – Separate financial statements	1 January 2013
• IFRS 11 – Joint arrangements	1 January 2013
• IAS 28 – Investments in associates and joint ventures	1 January 2013
• IFRS 12 – Disclosure of interests in other entities	1 January 2013
• IFRS 13 – Fair value measurement	1 January 2013
• IAS 19 – Employee benefits (revised)	1 January 2013
• IFRS 7 Disclosures – Offsetting financial assets and financial liabilities (amendments)	1 January 2013
• Improvements to IFRS – 2009-2011 cycle	1 January 2013
• IAS 32 – Offsetting financial assets and financial liabilities (amendments)	1 January 2014
• IFRS 10 IFRS 12 and IAS 27 – Investment entities (amendments)	1 January 2014
• IFRS 9 – Financial instruments	1 January 2015

The principal impact of IAS 19 (revised) will be to replace the interest cost and expected return on plan assets with a net interest amount which is calculated by applying the discount rate to the net defined benefit liability Had the revised standard been applied for the year ended 31 March 2013, it is estimated that the effect would have been to reduce profit before tax and reduce the actuarial losses on the defined benefit pension schemes by £250,000 and reduce the tax expense and the tax credit on items relating to components of comprehensive income by £60 000

With the exception of IAS 19 (revised) adoption of the standards listed above is not expected to have a material impact on the Group s reported results

Significant judgements and estimates

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

Impairment of non-financial assets

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

Deferred tax assets

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

Pensions and other post-retirement benefits

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

Basis of consolidation

The consolidated financial statements comprise those of the Parent Company and its subsidiary undertakings for the year ended 31 March 2013 The results for the subsidiary undertakings are included for the full year except where control is acquired or sold during the year when results are included from or to the date of acquisition or sale

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

Business combinations and goodwill

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

Goodwill arising on acquisitions is capitalised and subject to impairment review Between 5 October 1997 and 1 October 2004 goodwill was amortised over its estimated useful life Such amortisation ceased on 30 September 2004 The Group s policy before 5 October 1997 was to eliminate goodwill arising upon acquisitions against reserves Under IFRS 1 and IFRS 3 such goodwill will remain eliminated against reserves

Interest in joint venture

The Group has an interest in a joint venture which is established through a 50% interest in a company The Group recognises its interest in the entity s assets and liabilities using the equity method of accounting Under the equity method the interest in the joint venture is carried at cost plus post-acquisition changes in the Group s share of net assets less distributions received and less any impairment in the value of the investment The income statement reflects the share of the jointly controlled entity s results after tax for the full year except where control is acquired or sold during the year when results are included from or to the date of acquisition or sale

Goodwill arising on acquisition of the joint controlled entity is included in the carrying amount and is not amortised To the extent that the fair value of the entity s net assets is greater than the cost of investment a gain is recognised and added to the Group s share of the entity's profit or loss in the period in which the investment is acquired

Financial statements of the jointly controlled entity are prepared for the same reporting period as the Group Where necessary adjustments are made to bring the accounting policies in line with those of the Group, to take account of fair values assigned at the date of acquisition and to reflect impairment losses where appropriate Adjustments are also made to eliminate the Group s share of unrealised gains and losses on transactions between the Group and the jointly controlled entity

Revenue recognition

Revenue represents amounts invoiced to third parties excluding value added taxes and represents net invoice value less estimated rebates returns and settlement discounts It is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be reliably measured This is normally the date of despatch Rebates and discounts are recognised in accordance with contractual obligations held with customers They are recognised in the period to which they relate

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2013

1 Group accounting policies continued

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
- Freehold land is not depreciated

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

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

Impairment of non-financial assets

The carrying values of intangible assets are reviewed annually for impairment or if events or changes in circumstances indicate the carrying value may not be recoverable Property plant and equipment are reviewed to ensure that assets are not carried at above their recoverable amounts once some indication of impairment exists Calculations are made of the discounted cash flows resulting from continued use of the assets (value in use) or from their disposal (fair value less costs to sell) Where these values are less than the carrying amount of the assets an impairment loss is charged to the income statement

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost Intangible assets acquired with a business acquisition are capitalised at fair value at the date of acquisition if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably The useful lives of intangible assets are assessed as finite or indefinite Except as set out in the policy for research and development costs intangible assets created within the business are not capitalised and expenditure is charged against income as it is incurred

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 and for sale its intention to complete and its ability to use or sell the asset how the asset will generate future economic benefits the availability of resources to complete the asset and the ability to measure reliably the expenditure during the development

Leases

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

Inventories

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

Trade and other receivables

Trade and other receivables are recognised and carried at original invoice value less an allowance for any amounts which may not be 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

Financial liabilities – interest-bearing loans and borrowings

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

Provisions

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

Taxation

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

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

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

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

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

Pensions and other post-retirement benefits

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

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

Actuarial gains and losses are recognised in full in the Statement of Comprehensive Income in the period in which they occur

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2013

1 Group accounting policies continued

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

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

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

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

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

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

Employee Benefit Trust (the "Trust")
The Company has a discretionary trust established to facilitate the operation of the Company executive share option schemes and long-term incentive plans Shares in API Group plc held by the Trust are deducted from equity as treasury shares and are recognised at cost Amounts received on exercise of these options are also recognised in equity with any difference between proceeds from the exercise of these options and the original cost being taken to revenue reserves No gain or loss is recognised in the performance statements on the purchase sale issue or cancellation of equity shares

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

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

Derivative financial instruments and hedging
The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations Such derivative instruments are measured at fair value on the date which the derivative contract is entered into and are subsequently re-measured at fair value at the balance sheet date Derivatives are carried as assets if the fair value is positive and liabilities if the fair value is negative The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles The fair value of interest rate swaps is determined by reference to market values for similar instruments

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

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

2 Segmental analysis

The Group produces monthly management information to enable the Board including the Group Chief Executive to monitor the financial performance of its constituent parts This information is analysed by business unit

Revenue

	Year ended 31 March 2013 £ 000	Year ended 31 March 2012 £ 000
Total revenue by origin		
Laminates	**55,163**	54 823
Foils Europe	**27,021**	29 158
Foils Americas	**23,972**	23,446
Holographics	**9,646**	13 015
	115,802	120 442
Inter-segmental revenue		
Laminates	**2**	93
Foils Europe	**757**	980
Foils Americas	**556**	566
Holographics	**2,061**	4 868
	3,376	6 507
External revenue by origin		
Laminates	**55,161**	54 730
Foils Europe	**26,264**	28 178
Foils Americas	**23,416**	22 880
Holographics	**7,585**	8 147
Segment revenue	**112,426**	113 935
External revenue by destination		
UK	**28,655**	37,778
Rest of Europe	**55,606**	48 243
Americas	**21,318**	21,105
Asia Pacific	**6,553**	6 062
Africa	**294**	747
Segment revenue	**112,426**	113 935

All revenue is derived from the sale of goods

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2013

2 Segmental analysis continued
Segment result

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £ 000
Operating profit before exceptional items		
Laminates	**6,515**	5 704
Foils Europe	**1,984**	389
Foils Americas	**1,893**	1 173
Holographics	**(275)**	1 615
Segment result	**10,117**	8 881
Central costs	**(1,650)**	(2 003)
Total operating profit before exceptional items	**8,467**	6,878

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

	Year ended 31 March 2013 £ 000	Year ended 31 March 2012 £ 000
Assets		
Laminates	**13,550**	13 276
Foils Europe	**17,889**	17 082
Foils Americas	**14,544**	13 552
Holographics	**8,719**	6 915
Segment asset	**54,702**	50 825
Unallocated		
Deferred tax assets	**6,617**	5 230
Cash and short-term deposits	**6,189**	10 068
Other	**1,188**	527
Total assets	**68,696**	66,650

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3 Operating profit

	Year ended 31 March 2013 £ 000	Year ended 31 March 2012 £ 000
This is stated after charging/(crediting)		
Research and development expenditure expensed during the period	**596**	718
Depreciation of property, plant and equipment	**2,173**	2 367
Profit on disposal of property plant and equipment	**(5)**	(2)
Cost of inventories recognised as an expense	**60,841**	64 246
Including write-down of inventories to net realisable value	**207**	481
Net foreign currency differences	**(54)**	8
Operating lease payments – minimum lease payments	**946**	1,054
Audit of the financial statements	**69**	79
Other fees payable to the Group s Auditor		
– audit of the UK defined benefit pension scheme	**5**	5
– local statutory audits for subsidiaries	**65**	73
– review of interim statements	**25**	–
Costs associated with major flood at US factory (see below)	**—**	690
Insurance recovery in respect of the flood (see below)	**—**	(747)

In the year ended 31 March 2012 the manufacturing facility in New Jersey US sustained significant damage due to flooding caused by Hurricane Irene The costs relating to the damage were recovered through insurance

4 Staff costs and Directors' emoluments

	Year ended 31 March 2013 £ 000	Year ended 31 March 2012 £ 000
Wages and salaries	**20,344**	20 220
Social security costs	**2,159**	2 028
Defined contribution pension costs	**745**	701
	23,248	22 949

Included in wages and salaries is a charge relating to share-based payments of £85 000 (2012 £185,000)

Details of share-based payments are included in Note 20

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

	Year ended 31 March 2013 Number	Year ended 31 March 2012 Number
Laminates	**111**	100
Foils Europe	**189**	189
Foils Americas	**137**	143
Holographics	**99**	101
Central	**7**	7
	543	540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2013

4 Staff costs and Directors' emoluments continued

Directors' emoluments

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £ 000
Total		
Aggregate emoluments	**677**	765
Contributions to defined contribution schemes (two Directors)	**35**	36
	712	801
Highest paid Director		
Aggregate emoluments	**324**	383
Contributions to defined contribution schemes	**21**	22
	345	405

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

Further details relating to Directors emoluments are shown on pages 27 and 28

5 Exceptional items

	Year ended 31 March 2013 £ 000	Year ended 31 March 2012 £ 000
Restructuring of operating businesses	**(488)**	–
Fees associated with the formal sale process	**(541)**	–
	(1,029)	–

Restructuring of operating businesses relates primarily to redundancy and other costs associated with business restructuring in the Foils Europe and Holographics businesses

6 Finance revenue and finance costs

	Year ended 31 March 2013 £ 000	Year ended 31 March 2012 £ 000
Finance revenue		
Interest receivable on bank and other short-term deposits	**2**	3
Other interest receivable	**8**	10
	10	13
Finance costs		
Interest payable on bank loans and overdrafts	**(804)**	(1 045)
Other interest payable	**(17)**	(49)
Finance cost in respect of defined benefit pension plans	**(811)**	(738)
	(1,632)	(1 832)

Included within interest payable on bank overdrafts and loans is £235 000 (2012 £250,000) relating to the amortisation of fees and expenses incurred in obtaining bank facilities

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7 Taxation

a) Tax (expense)/credit in the income statement

	Year ended 31 March 2013 £ 000	Year ended 31 March 2012 £ 000
Current income tax		
UK corporation tax	(75)	–
Overseas tax – current year expense	(80)	(101)
– adjustments in respect of prior years	–	(19)
Total current income tax expense	(155)	(120)
Deferred tax		
Origination and reversal of temporary differences		
– defined benefit pension plan	(195)	(209)
– tax losses and other short-term differences	588	(174)
– capital allowances	(275)	448
– effect of change in tax rate	(4)	(50)
Total deferred tax credit	114	15
Total tax expense in the income statement	(41)	(105)

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

	Year ended 31 March 2013 £ 000	Year ended 31 March 2012 £ 000
Deferred tax		
Actuarial gains and losses on defined pension schemes	1,318	(78)
Change in fair value of effective cash flow hedges	151	(94)
Effect of change in tax rate	(181)	(247)
	1,288	(419)

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

	Year ended 31 March 2013 £ 000	Year ended 31 March 2012 £ 000
Deferred tax		
Share-based payments	(18)	87

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2013

7 Taxation continued

(d) Reconciliation of the total tax charge

The tax rate in the income statement for the year is lower than the standard rate of corporation tax in the UK of 24% (2012 26%) The differences are reconciled below

	Year ended 31 March 2013 £ 000	Year ended 31 March 2012 £ 000
Accounting profit before tax	**5,816**	5 059
Accounting profit multiplied by the UK standard rate of corporation tax of 24% (2012 26%)	**1,396**	1,315
Adjustments to tax charge in respect of prior period	**(81)**	19
Adjustments in respect of foreign tax rates	**55**	22
Increase in deferred tax asset recognised on losses and capital allowances	**(1,595)**	(1 346)
Losses for which deferred tax is not recognised	**94**	43
Other temporary differences for which deferred tax is not recognised	**(33)**	(90)
Effect of change in tax rate	**4**	50
Expenses not deductible for tax purposes	**201**	92
Total tax expense reported in the income statement	**41**	105

(e) Unrecognised tax losses

The Group has unrecognised tax losses arising in the UK of £2 819 000 (2012 £4 246 000) 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 £3 857 000 (2012 £5 442 000) available to offset against future taxable profits at the rate of 18% (2012 18%) a year on a reducing balance basis The Group has unrecognised US federal tax losses carried forward of $8 963 000 (2012 $12 584 000) which are available for offset against future profits for a period of between 10 and 18 years

(f) Deferred tax

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

	Year ended 31 March 2013 £ 000	Year ended 31 March 2012 £ 000
Deferred tax liability		
Revaluation of fixed assets	**(211)**	(220)
Fair value of cash flow hedges	—	(87)
	(211)	(307)
Deferred tax asset		
Defined benefit pension plans	**3,070**	2 068
Tax losses	**2,376**	1 736
Capital allowances	**941**	1 258
Fair value of cash flow hedges	**64**	–
Share-based payments	**166**	168
	6,617	5 230

A reduction in the UK corporation tax from 24% to 23% with effect from 1 April 2013 was substantively enacted on 3 July 2012 The effect of this rate reduction creates a reduction in the net deferred tax asset which has been included in the figures shown above The UK Government also proposed changes to further reduce the main rate of corporation tax to 21% in the year commencing 1 April 2014 and 20% in the year commencing 1 April 2015 The overall effect of the further reductions from 23% to 20% if these applied to the total deferred tax balances at 31 March 2013 would be to reduce the net deferred tax asset by approximately £589 000 These changes will also reduce the Group s current tax charge for future years accordingly

8 Earnings per ordinary share

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

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

Earnings used to calculate adjusted basic and diluted earnings per share exclude exceptional items net of tax

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

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £ 000
Net profit attributable to equity holders of the Parent	5,775	4 954
Adjustments to arrive at underlying earnings		
Exceptional items	1,029	–
Tax credit on exceptional items	(103)	–
Underlying earnings	6,701	4 954

	Year ended 31 March 2013 Number	Year ended 31 March 2012 Number
Basic weighted average number of ordinary shares	73,748,730	73 655 895
Dilutive effect of employee share options and contingent shares	3,600,787	3 972 039
Diluted weighted average number of ordinary shares	77,349,517	77 627 934

The basic weighted average number of shares excludes the 3 000 000 shares owned by the API Group plc No 2 Employee Benefit Trust (2012 3,000 000) These contingent shares are included in the diluted weighted average number of shares

On 2 May 2013 47 250 share options were exercised This does not have an effect on the earnings per share figures disclosed below There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements

Earnings per ordinary share

	Year ended 31 March 2013 pence	Year ended 31 March 2012 pence
Basic earnings per share	7 8	6 7
Underlying basic earnings per share	9 1	6 7
Diluted earnings per share	7 5	6 4
Underlying diluted earnings per share	8 7	6 4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2013

9 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 1 April 2011	2 158	7,677	1 693	46 828	6 560	64 916
Additions	–	–	–	3,230	258	3 488
Disposals	–	–	–	(565)	(145)	(710)
Foreign currency adjustment	6	23	–	6	(8)	27
At 31 March 2012	2 164	7700	1 693	49 499	6 665	67721
Additions	–	1 419	283	1 661	1 780	5 143
Disposals	–	–	–	(974)	(371)	(1 345)
Foreign currency adjustment	99	364	–	720	151	1 334
At 31 March 2013	**2,263**	**9,483**	**1,976**	**50,906**	**8,225**	**72,853**
Depreciation						
At 1 April 2011	–	2 990	866	39 382	4 874	48,112
Provided during the year	–	203	57	1 636	471	2 367
Disposals	–	–	–	(561)	(145)	(706)
Foreign currency adjustment	–	13	–	3	(4)	12
At 31 March 2012	–	3 206	923	40 460	5,196	49 785
Provided during the year	–	206	61	1 387	519	2 173
Disposals	–	–	–	(966)	(361)	(1 327)
Foreign currency adjustment	–	223	–	577	109	909
At 31 March 2013	**–**	**3,635**	**984**	**41,458**	**5,463**	**51,540**
Net book value at 31 March 2013	**2,263**	**5,848**	**992**	**9,448**	**2,762**	**21,313**
Net book value at 31 March 2012	2 164	4 494	770	9 039	1 469	17936
Net book value at 31 March 2011	2,158	4 687	827	7,446	1 686	16 804

Construction work-in-progress

Included in the cost of property plant and equipment is £1 751 000 (2012 £2 878 000 2011 £168 000) relating to construction work-in-progress

Commitments

Amounts contracted in respect of property plant and equipment (including construction work-in-progress) amounted to £404 000 (2012 £1 969 000) See Note 23

Security

The Group s UK borrowings of £7 754 000 (2012 £11 514 000) are secured by fixed and floating charges on the UK assets of the Group including fixed assets to the value of £12 668 000 (2012 £10,076 000) The US loans of £777 000 (2012 £887 000) are pledged against property plant and equipment to the value of £5 400 000 (2012 £5 598 000)

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10 Intangible assets – goodwill

	£ 000
Cost and carrying value	
At 31 March 2011, 31 March 2012 and 31 March 2013	**5,188**

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

Carrying amount of goodwill allocated to cash-generating units

	£ 000
Foils Europe – UK	2 538
Foils Europe – Germany	964
Holographics	1,686
At 31 March 2011, 31 March 2012 and 31 March 2013	**5,188**

11 Impairment of non-financial assets

The Directors have reviewed impairment tests at 31 March 2013 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 and
- Holographics

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

The recoverable amount of each of the cash generating units has been determined on a value in use basis Value in use is calculated as the net present value of pre-tax cash flows based on budgets for the year ended 31 March 2013 and forecasts for the following four years which have been approved by the Board The cash flows were derived from business plans including detailed sales forecasts by product type and geography prepared by individual businesses within each division These include an allowance for detailed capital and maintenance programmes The cash flows have been extrapolated for a period of 15 years using the key assumptions of estimated long-term growth rates of 3% to 3 5% (2012 3% to 3 5%) and cost inflation of 2% to 3% (2012 2% to 3%) applicable to the location of each cash generating unit The growth rates do not exceed the long-term average growth rate for the relevant cash generating unit A pre-tax discount rate of 7 0% (2012 8 5%) 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

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12 Investment in joint venture

During the year the Group acquired a 50% interest in a newly formed company API Optix s r o ("APIO") The Group has also advanced loans to APIO that will be converted to equity The total investment is as follows

	31 March 2013 £ 000	31 March 2012 £ 000
Investment in equity capital	3	–
Loan receivable	375	–
	378	–

The Group s interests in the assets and liabilities of the joint venture are as follows

	31 March 2013 £ 000	31 March 2012 £ 000
Non-current assets	24	–
Current assets	168	–
Current liabilities	(189)	–
	3	–

APIO acts as a service company for the joint venture shareholders and its revenue represents only the recharge of costs incurred Net income is £nil accordingly there is no separate disclosure of the Group s share of results in the income statement

Under the joint venture agreement the Group is committed to inject further funds of approximately £500 000 See note 23

13 Trade and other receivables

	31 March 2013 £ 000	31 March 2012 £ 000
Amounts falling due within one year		
Trade receivables	13,556	13 774
Prepayments	1,644	1 201
Other debtors	611	510
	15,811	15 485
Amounts falling due after more than one year		
Other debtors	–	32

Trade receivables are non-interest bearing and are generally on between 30 and 90 days terms They are shown net of any provisions for impairment At 31 March 2013 trade receivables at a nominal value of £101,000 (2012 £161 000) were impaired and fully provided for Movements in the provision for impairment of receivables were as follows

	31 March 2013 £ 000	31 March 2012 £ 000
Opening provision	161	179
(Credit)/charge for the year	(1)	42
Amounts written off	(57)	(53)
Unused amounts reversed	(4)	(5)
Foreign currency adjustment	2	(2)
Closing provision	101	161

Of the total trade receivables shown above £998 000 (2012 £1 271 000) are past due but not impaired An analysis of these trade receivables is as follows

	31 March 2013 £ 000	31 March 2012 £ 000
0-30 days overdue	936	984
31-60 days overdue	19	180
61-90 days overdue	35	89
91+ days overdue	8	18
	998	1 271

Due to the nature and number of the Group s customers it is not practical to analyse the credit quality of trade receivables that are neither past due nor impaired Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed Customers are assessed for financial reliability using external rating agencies Secure payment terms are frequently used in riskier geographical areas or for riskier customers In determining the level of credit insurance placed the Group continually monitors the market to assess the cost of premiums compared to the credit risks associated with different market and product sectors At 31 March 2013 the maximum exposure to credit risk in respect of trade receivables after taking account of credit insurance was £4 431 000 (2012 £7 063 000)

During the year ended 31 March 2013 there were two major customers reported within the Laminates segment, which comprised 10% or more of the total external revenue amounting to £18 685 000 (2012 £19,841 000) and £18 149 000 (2012 £17 601,000) respectively These customers are multi-location Groups and are supplied by API for a wide variety of end-user designs and specifications

14 Inventories

	31 March 2013 £ 000	31 March 2012 £ 000
Raw materials	4,583	3 732
Work in progress	1,675	1 322
Finished goods	6,606	7,183
	12,864	12 237

15 Cash and cash equivalents

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

	31 March 2013 £ 000	31 March 2012 £ 000
Short-term deposits	4,500	6 000
Cash at bank and in hand	1,689	4 068
Cash and short-term deposits	6,189	10,068
Bank overdrafts (Note 17)	(234)	(1 246)
	5,955	8 822

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

16 Trade and other payables

	31 March 2013 £ 000	31 March 2012 £ 000
Trade payables	16,348	16,477
Other payables	6,080	5 784
	22,428	22 261

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17 Financial liabilities

	31 March 2013 £ 000	31 March 2012 £ 000
Current		
Bank overdrafts	234	1 246
Current instalments due on bank loans	2,957	3 196
Interest rate swaps	16	80
Forward foreign exchange contracts	559	–
	3,766	4 522
Non-current		
Non-current instalments due on bank loans	5,574	9 205
Interest rate swaps	–	32
	5,574	9,237

Details of interest rate swaps and forward foreign exchange contracts are given in Note 22

Bank loans

Bank loans comprise the following

	31 March 2013 £ 000	31 March 2012 £ 000
Term loans (UK)	7,754	11 514
Term loans (US)	777	887
	8,531	12 401
Less current instalments due on bank loans	(2,957)	(3 196)
	5,574	9 205

The Group s banking facilities comprise

UK facilities

The Group s lending arrangements in the UK are with Barclays Bank plc In December 2012 agreement was reached to extend these facilities for a further year to July 2014 At 31 March 2013 UK facilities comprised term loans of £4 0m repayable between April 2013 and July 2014 (2012 £7 7m repayable between April 2012 and July 2013) and a term loan of £3 8m repayable in July 2014 (2012 £3 8m repayable in July 2013) In addition there is a multi-option overdraft facility of £5 0m (2012 £5 0m) Interest cost for the period averaged 3 1% (2012 3 4%) above LIBOR for term loans and 2 9% (2012 3 3%) above Base Rate for the overdraft At 31 March 2013 the total debt under committed and revolving facilities was subject to three quarterly financial covenant targets reflecting the financial performance of the Group excluding the impact of the Foils Americas business unit Covenants are for Debt Cover Senior Interest Cover and Tangible Net Worth At 31 March 2013 Debt Cover the ratio of net debt to twelve month trailing EBITDA was 0 3x (2012 0 3x) and this and all other covenant ratios were comfortably within targets

US facilities

The US facilities are with Wells Fargo Bank In March 2013, agreement was reached to extend these facilities for a further period to April 2015 At 31 March 2013 they comprised amortising loans of $1 2m repayable between April 2013 and April 2015 (2012 $1 5m repayable between April 2012 and October 2013) and a revolving credit facility of up to $5 5m (2012 $5 5m) depending on the level of working capital Interest cost for the period averaged 4 5% (2012 4 5%) above LIBOR for the term loans and 3 8% (2012 3 8%) above LIBOR for the credit facility The total debt outstanding is subject to a quarterly covenant obligation relating to Fixed Costs Cover During the year to 31 March 2013 the US business met all its covenant obligations The US facilities are secured on working capital to the value of £5 861,000 (2012 £5 823 000)

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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 Company s site in Rahway New Jersey This scheme is a multi-employer defined benefit scheme which is accounted for as a defined contribution scheme as the information available from the scheme administrators is insufficient for it to be accounted for as a defined benefit scheme Under the rules of the scheme the employer is not liable for any deficit of the scheme unless it withdraws from the scheme

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

The assets and liabilities of the defined benefit schemes are

At 31 March 2013

	United Kingdom £ 000	United States £ 000	Total £ 000
Equities	**39,200**	**987**	**40,187**
Bonds	**22,075**	**986**	**23,061**
Hedge funds	**10,605**	**—**	**10,605**
Property	**6,677**	**82**	**6,759**
Cash	**—**	**—**	**—**
Fair value of scheme assets	**78,557**	**2,055**	**80,612**
Present value of scheme liabilities	**(90,880)**	**(3,081)**	**(93,961)**
Net pension liability	**(12,323)**	**(1,026)**	**(13,349)**

At 31 March 2012

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2013

18 Pensions and other post-retirement benefits continued

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

Year ended 31 March 2013

	United Kingdom £ 000	United States £ 000	Total £ 000
Recognised in the Income Statement			
Recognised in arriving at operating profit	–	–	–
Expected return on scheme assets	3,860	122	3,982
Interest cost on scheme liabilities	(3,842)	(126)	(3,968)
Scheme expenses borne by employers	(825)	–	(825)
Other finance cost	(807)	(4)	(811)
Taken to the Statement of Comprehensive Income			
Actual return on scheme assets	7,792	172	7,964
Less expected return on scheme assets	(3,860)	(122)	(3,982)
	3,932	50	3,982
Other actuarial gains and losses	(9,418)	(57)	(9,475)
Actuarial gains and losses recognised in the Statement of Comprehensive Income	(5,486)	(7)	(5,493)

Year ended 31 March 2012

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

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

	United Kingdom		United States	
	31 March 2013 %	31 March 2012 %	**31 March 2013 %**	31 March 2012 %
Rate of increase in pensions in payment	**2 35**	2 20		
Rate of increase to deferred pensions	**2 35**	2 20		
Inflation	**2 35**	2 20	**3 00**	3 00
Discount rate	**4 30**	4 85	**4 25**	4 50
Expected rates of return on scheme assets	**5 18**	5 20	**6 75**	6 75
Equities	**5 75**	6 05		
Bonds	**3 50**	4 00		
Hedge funds	**5 75**	6 05		
Property	**5 75**	6 05		
Post-retirement mortality (in years)				
Current pensioners at 65 – male	**20 3**	20 3		
Current pensioners at 65 – female	**22 3**	22 3		
Future pensioners at 65 – male	**22 0**	22 0		
Future pensioners at 65 – female	**24 3**	24 3		

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

The rate of increase in pensions and the inflation rate assumptions in the UK are based on statistics published by the Bank of England for long-term estimates of the Retail Price Index ("RPI") At 31 March 2013 the relevant inflation rate based on the RPI for the duration of the UK Scheme was 2 35% (2012 3 20%) 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% (2012 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 0m (2012 £0 9m)

The discount rate for the UK scheme has been set by reference to the iBoxx AA corporate bond 15-year index The rate has been modified to take account of the duration of the scheme which is approximately 18 years A 0 1% variation in the discount rate would result in a change in the present value of the scheme liabilities of approximately £1 6m (2012 £1 4m)

In the UK the mortality assumptions for both the current and previous years are based on nationally published tables using 130% of the S1P*A YoB CMI 2009 model with 1 25% long-term rate of improvement In the US mortality assumptions are in accordance with the IRS Static Mortality tables for the relevant year

Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers forecasts to each category of scheme assets

Following closure of the UK Scheme to future accrual the Group has agreed to make contributions up to 2019 in order to make up the funding shortfall The agreed contributions for the year ended 31 March 2014 are £700 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2013

18 Pensions and other post-retirement benefits continued

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

	United Kingdom £ 000	United States £ 000	Total £ 000
At 1 April 2011	79 843	2 484	82 327
Interest cost	4 351	119	4 470
Benefits paid	(2 888)	(146)	(3 034)
Actuarial gains and losses	(485)	366	(119)
Foreign currency differences	–	9	9
At 31 March 2012	80 821	2 832	83 653
Interest cost	3 842	126	3 968
Benefits paid	(3 201)	(86)	(3,287)
Actuarial gains and losses	9 418	57	9 475
Foreign currency differences	–	152	152
At 31 March 2013	**90,880**	**3,081**	**93,961**

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

	United Kingdom £ 000	United States £ 000	Total £ 000
At 1 April 2011	70 813	1 795	72 608
Expected return on plan assets	4,397	119	4 516
Employer contributions	700	58	758
Benefits paid	(2,888)	(146)	(3 034)
Actuarial gains and losses	244	(63)	181
Foreign currency differences	–	6	6
At 31 March 2012	73 266	1 769	75 035
Expected return on plan assets	3 860	122	3 982
Employer contributions	700	100	800
Benefits paid	(3 201)	(86)	(3 287)
Actuarial gains and losses	3 932	50	3 982
Foreign currency differences	–	100	100
At 31 March 2013	**78,557**	**2,055**	**80,612**

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History of experience gains and losses

	Year ended 31 March 2013 £ 000	Year ended 31 March 2012 £ 000	Year ended 31 March 2011 £ 000	Year ended 31 March 2010 £ 000	Year ended 31 March 2009 £ 000
United Kingdom					
Fair value of scheme assets	**78,557**	73 266	70 813	68 142	55 312
Present value of defined benefit obligation	**(90,880)**	(80 821)	(79 843)	(83 863)	(61 630)
Deficit in the scheme	**(12,323)**	(7 555)	(9 030)	(15 721)	(6 318)
Experience adjustments arising on plan liabilities	**—**	7 033	–	(100)	395
Experience adjustments arising on plan assets	**3,932**	244	687	12 772	(11 289)
United States					
Fair value of scheme assets	**2,055**	1 769	1 795	1 779	1 447
Present value of defined benefit obligation	**(3,081)**	(2 832)	(2 484)	(2 464)	(2,210)
Deficit in the scheme	**(1,026)**	(1 063)	(689)	(685)	(763)
Experience adjustments arising on plan liabilities	**19**	40	(5)	(74)	24
Experience adjustments arising on plan assets	**50**	(63)	35	298	(536)

The cumulative amount of actuarial losses recognised since 1 October 2004 in the Group Statement of Comprehensive Income is £5 072 000 (2012 gains of £421 000) The Directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRS and taken directly to equity of £13 099 000 is attributable to actuarial gains and losses since inception of those schemes Consequently the Directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Group Statement of Comprehensive Income before 1 October 2004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2013

19 Share capital

Allotted, called up and fully paid

	31 March 2013 thousands	31 March 2012 thousands	31 March 2013 £ 000	31 March 2012 £ 000
Ordinary shares of 1p	**76,749**	76 749	**767**	767

During the current year no further shares were issued In the year ended 31 March 2012 115 668 shares of 1p were issued at par for a consideration of £1 000 These shares were acquired and transferred to an employee in respect of the exercise of nil cost share options

During the current and previous years no options were granted over the ordinary shares Full exercise of the options granted under the Company s share option schemes would result in the issue not later than March 2018 of 450 450 shares (2012 614 250 shares) at nil cost

Capital management

The primary purpose of the Group s capital management is to ensure the maintenance of healthy capital ratios in order to support day-to-day business operations and the achievement of strategic objectives The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the financial position of the Group Capital which comprises total equity is monitored using normal financial ratios primarily gearing for the Group overall and a debt cover ratio associated with the main bank facilities in the UK The ratios at 31 March 2013 are disclosed in the Business Review on page 11

20 Share-based payments

During the year an amount of £85 000 was charged to the income statement (2012 £185 000) in respect of share-based payments This comprises £4 000 (2012 £17 000) in respect of share options and £81 000 (2012 £168 000) in respect of contingent shares under the Long Term Incentive Plan All share-based payment plans are equity settled

Share options

Share options remaining in place at 31 March 2013 are nil cost options which are all exercisable The ability to exercise these options was conditional on the attainment of specified performance targets based on profits before tax over a three-year performance period The options lapse if they are not exercised within ten years of the date of grant

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

	31 March 2013		31 March 2012	
	Number	WAEP (p)	Number	WAEP (p)
Outstanding at beginning of year	**614,250**	–	1 714 273	1 7
Granted during the year	–	–	–	–
Exercised during the year	**(163,800)**	–	(208 632)	–
Surrendered during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Expired during the year	–	–	(891 391)	(3 3)
Outstanding at end of year	**450,450**	–	614,250	–
Exercisable at end of year	**450,450**	–	614 250	–

The weighted average share price of shares exercised at the date of exercise was 57p (2012 39p)

For share options outstanding at the end of the year, the weighted average remaining contractual life is 5 0 years (2012 6 1 years)

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Long Term Incentive Plan

In September 2010 the two Executive Directors (Andrew Turner and Chris Smith) entered into a long-term incentive plan ("LTIP") covering the period 1 April 2011 to 31 March 2015 under which they were each granted a single award which when combined totalled up to 3,000,000 contingent shares for a five year term Under the terms of the LTIP 3 000,000 ordinary shares of 1p ("Shares) were issued to the API Group plc No 2 Employee Benefit Trust (the "Trust") The fair value of these awards is 16 0p

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

There were no movements regarding the number of shares held by the Trust in respect of the LTIP during the year ended 31 March 2013 There are 3 000 000 Shares held in the Trust which can potentially be transferred to the Directors under the LTIP

In May 2012, the Remuneration Committee determined in accordance with the scheme rules and based on the performance criteria reflecting increases in shareholder value in the year ended 31 March 2012 that 963,093 of the contingent shares held by the Executive Directors in the Company s ordinary shares of 1p had vested These contingent shares have not yet been transferred to the Executive Directors

Following the financial year ended 31 March 2013 the Remuneration Committee has determined in accordance with the scheme rules and based on the performance criteria reflecting increases in shareholder value in the year that a further 539 385 (2012 963 093) of the contingent shares held by the Executive Directors in the Company s ordinary shares of 1p had vested

21 Reserves

Other reserves

Other reserves of £8 816 000 (2012 £8 816 000) comprise the capital redemption reserve £8 846 000 and a deficit of £30 000 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 relates to shares held by the API Group plc No 2 Employee Benefit Trust (the "Trust"), established in 1997 to facilitate the operation of the Company s executive share schemes During the year the Trust acquired 163 800 shares for a consideration of £94 000 These shares were subsequently transferred to an employee in respect of the exercise of nil cost options At 31 March 2013 and 31 March 2012 the trust held 3 000 000 shares at an average cost of £0 01 per share and a total cost of £30 000

Foreign exchange reserve

The foreign exchange reserve of £958 000 (2012 £255 000) is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2013

22 Financial instruments
Details of the treasury operations and funding of the Group are described in the Business Review on pages 10 to 23

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

At 31 March 2013

	Within one year £ 000	One to two years £ 000	Two to five years £ 000	Total £ 000
Non-derivative financial liabilities	3,336	5,202	395	8,933
Interest on financial liabilities	192	51	1	244
Trade and other payables	21,589	–	–	21,589
Interest rate swaps	16	–	–	16
Forward foreign exchange contracts				
Payable	24,873	6,374	–	31,247
Receivable	(24,488)	(6,535)	–	(31,023)

At 31 March 2012

	Within one year £ 000	One to two years £ 000	Two to five years £ 000	Total £ 000
Non-derivative financial liabilities	4 688	9 258	–	13 946
Interest on financial liabilities	455	120	–	575
Trade and other payables	21 562	–	–	21 562
Interest rate swaps	80	32	–	112
Forward foreign exchange contracts				
Payable	19 454	4 397	–	23 851
Receivable	(19 922)	(4 403)	–	(24 325)

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

Credit risk
The Group s credit risk relates to cash at bank and on deposit and trade receivables Details are disclosed in Notes 13 and 15 respectively

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

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

	Increase in interest rate	Effect on profit before tax £ 000
2013	**+1%**	**(69)**
2012	+1%	(67)

Foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in 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

	Increase/ decrease in sterling vs US dollar/euro	Effect on profit before tax £ 000	Effect on equity £ 000
2013			
US dollar/sterling	**+10%**	**62**	**62**
	-10%	**(68)**	**(68)**
Euro/sterling	**+10%**	**382**	**2,999**
	-10%	**(420)**	**(3,299)**
2012			
US dollar/sterling	+10%	54	(17)
	-10%	(59)	19
Euro/sterling	+10%	22	1 878
	-10%	(24)	(2 074)

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

Hedges

Cash flow hedges

Interest rate

The Group has taken out interest rate swaps to hedge the exposure to changes in interest rates in both the UK and US In the year ended 31 March 2012, the Group had a fixed value interest rate swap of £5 0m whereby it received a variable rate based on one month LIBOR and pays a fixed rate of 2 96% This swap instrument expired on 1 November 2012 and has not been replaced At 31 March 2012 this swap had a negative fair value of £76 000

In the US amortising interest rate swaps were taken out for the period 1 July 2011 to 30 October 2013 in respect of 100% of the US term loans amortising at the same rate as the loans At 31 March 2013 the notional amount of these swaps was $1 2m (2012 $1 5m) A fixed value swap of $1 5m was also taken out for the same period as a hedge against the revolving credit facility The Group receives a variable rate based on one month LIBOR on the US swaps and pays a fixed rate of 1 73% At 31 March 2013 these swaps had a negative value of £16 000 (2012 £36 000)

These hedges are fully effective and consequently the full amounts of the changes in fair value have been shown in the Statement of Comprehensive Income The total gain recognised in other comprehensive income in respect of interest rate swaps was £2 000 (2012 loss of £92,000) A charge of £94 000 (2012 £141 000) was recycled from other comprehensive income to finance costs in the income statement

Forward foreign exchange contracts

The Group has taken out foreign currency forward contracts in order to hedge the value of future sales denominated in euros to the value of €34 1m (2012 €26 1m) future purchases denominated in US dollars to the value of $nil (2012 $1 3m) and future capital expenditure commitments denominated in euros to the value of €nil (2012 €1 6m) These contracts have maturity dates extending to August 2014 (2012 June 2013) At 31 March 2013 contracts with a positive value amounted to £141 000 (2012 £469 000) maturing within one year and £152 000 (2012 £nil) maturing in greater than one year Contracts with a negative value amounted to £559,000 (2012 £nil) 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 total gain recognised in other comprehensive income in respect of foreign exchange contracts is £186 000 (2012 gain of £721 000) A credit of £921 000 (2012 charge of £168 000) was recycled from other comprehensive income to revenue in the income statement

Fair value hedges

The Group has also taken out foreign currency forward contracts in order to hedge the value of trade debtors net of trade creditors denominated in euros Any profit or loss arising on these contracts is posted directly to the income statement At 31 March 2013 there were forward contracts in place in respect of fair value hedges to buy sterling and sell euros to the value of €2 8m (2012 €2 3m) These contracts had a positive fair value of £43 000 at 31 March 2013 (2012 £5 000) Gains on fair value hedges amounting to £69,000 (2012 £149 000) are included in the amounts disclosed for net foreign currency differences in Note 3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 March 2013

23 Capital commitments
Amounts contracted but not provided in these financial statements are as follow

	31 March 2013 £ 000	31 March 2012 £ 000
Property plant and equipment	404	1,969
Investment in joint venture	500	–
	904	1 969

24 Obligations under leases and hire purchase contracts
Future minimum rentals payable under non-cancellable operating leases are as follows

	31 March 2013 £ 000	31 March 2012 £ 000
Not later than one year	913	804
After one year but not more than five years	1,456	1 091
After five years	1,476	1 463
	3,845	3 358

These commitments include £1 597 000 (2012 £1 635 000) in respect of annual payments of £38 000 relating to a long lease which expires in 2055 The remaining commitments relate to short-term leases of no more than six years mostly in respect of land and buildings

25 Related party transactions
Compensation of key management personnel
The key management personnel comprise the six Directors (2012 six) and the Managing Directors of the four business units (2012 four)

	Year ended 31 March 2013 £ 000	Year ended 31 March 2012 £ 000
Short-term employee benefits	1,682	1 582
Post employment benefits	57	52
Share-based payments	85	185
	1,824	1 819

Transactions with joint venture
Other than the loans advanced as described in Note 12 there have been no significant transactions during the year with the joint venture API Optix s r o

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INDEPENDENT AUDITOR'S REPORT
to the Members of API Group plc

We have audited the Parent Company financial statements of API Group plc for the year ended 31 March 2013 which comprise the Parent Company Balance Sheet and the related notes 1 to 10 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company s members those matters we are required to state to them in an auditor s report and for no other purpose To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Company and the Company s members as a body for our audit work for this report or for the opinions we have formed

Respective responsibilities of Directors and Auditor
As explained more fully in the Directors Responsibilities Statement set out on page 32 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board s (APB s) Ethical Standards for Auditors

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

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Parent Company s affairs as at 31 March 2013
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors Report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

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

Other matter
We have reported separately on the Group financial statements of API Group plc for the year ended 31 March 2013

Ernst & Young LLP

Colin Brown (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Manchester
4 June 2013

COMPANY BALANCE SHEET
at 31 March 2013

	Note	31 March 2013 £ 000	31 March 2012 £ 000
Fixed assets			
Investments	2	**29,114**	29 113
Current assets			
Debtors (greater than one year)	3	**30,178**	33 073
Cash at bank and in hand		**1,338**	750
		31,516	33 823
Creditors – amounts falling due within one year	4	**(26,205)**	(26 468)
Net current assets		**5,311**	7 355
Total assets less current liabilities		**34,425**	36 468
Creditors – amounts falling due after more than one year	5	**(4,978)**	(8 299)
Net assets		**29,447**	28 169
Share capital and reserves			
Called up share capital	6	**767**	767
Share premium account	7	**7,136**	7 136
Other reserves	7	**8,816**	8 816
Profit and loss account	7	**12,728**	11 450
Equity shareholders' funds		**29,447**	28 169

Signed on behalf of the Board

Andrew Turner
Director
4 June 2013

Company number 169249

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NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 March 2013

1 Accounting policies

Accounting convention

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

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

The principal accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2013 These policies have been consistently applied to all periods presented unless otherwise stated

As set out in the Directors Report the financial statements have been prepared on the going concern basis

Investments in and loans due from subsidiaries

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

Deferred tax

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

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

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

Pensions

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

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

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

Foreign currencies

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

Share-based payments

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

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

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

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2013

1 Accounting policies continued

Employee Benefit Trust (the "Trust")

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

Financial instruments

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

The Company s financial instruments are consolidated with those of the Group and are incorporated into the disclosures in Note 22 of the Group s financial statements Accordingly the exemption under paragraph 2D(b) of FRS 29 from disclosing the details in the Company financial statements has been applied

2 Investments

Subsidiary undertakings

	£ 000
Cost	
At 31 March 2012	29 113
Additions	1
At 31 March 2013	**29,114**

Details of the principal investments of the Company are as follows

Name of company	Country of incorporation	Holding
API Laminates Limited [2]	UK	Ordinary shares
API Foils Holdings Limited [3]	UK	Ordinary shares
API Foils Limited [1,2]	UK	Ordinary shares
API Holographics Limited [1,2]	UK	Ordinary shares
API Overseas Holdings Limited [1,3]	UK	Ordinary shares
API Group Services Limited [4]	UK	Ordinary shares
API-Stace Limited [5]	UK	Ordinary shares
API (USA) Holdings Limited [1,3]	USA	Common and preferred stocks
API Foils Inc [1,2]	USA	Common and preferred stocks
API Foils SAS [1,2]	France	Ordinary shares
API Foils Pty Limited [1,2]	Australia	Ordinary shares
API Foils New Zealand Limited [1,2]	New Zealand	Ordinary shares
API Foils Deutschland GmbH [1,2]	Germany	Ordinary shares
API Foils Italia srl [1,2]	Italy	Ordinary shares
API Foils (Asia) Limited [2]	Hong Kong	Ordinary shares
API Folie Polska Sp z o o [2]	Poland	Ordinary shares
API Optix s r o [1,2,6]	Czech Republic	Ordinary shares

1 Held by subsidiary undertaking
2 Operating company
3 Intermediate holding company
4 Group management company
5 Property holding company
6 Company controls 50% of the voting rights and share capital

With the exception of API Optix s r o the Company controls 100% of the voting rights and shares capital of all the above subsidiary companies

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

3 Debtors

	31 March 2013 £ 000	31 March 2012 £ 000
Amounts falling due after more than one year		
Amounts due from subsidiary undertakings	**30,178**	33 073

Amounts due from subsidiary undertakings are stated after an impairment provision of £34,000 000 (2012 £34 000 000)

4 Creditors – amounts falling due within one year

	31 March 2013 £ 000	31 March 2012 £ 000
Current instalments on bank loans	**2,776**	3 215
Corporation tax	**578**	600
Amounts due to subsidiary undertakings	**22,600**	22 600
Accruals	**251**	53
	26,205	26 468

Corporation tax represents group relief payable

5 Creditors – amounts falling due after more than one year

	31 March 2013 £ 000	31 March 2012 £ 000
Bank loans	**4,978**	8 299

6 Share capital

Allotted, called up and fully paid

	31 March 2013 thousands	31 March 2012 thousands	31 March 2013 £ 000	31 March 2012 £ 000
Ordinary shares of 1p	**76,749**	76 749	**767**	767

During the current year no further shares were issued In the year ended 31 March 2012 115 668 shares of 1p were issued at par for a consideration of £1 000 These shares were acquired and transferred to an employee in respect of the exercise of nil cost share options

During the current and previous years no options were granted over the ordinary shares Full exercise of the options granted under the Company s share option schemes would result in the issue not later than September 2018 of 450,450 shares (2012 614 250 shares) at nil cost

Details relating to share options are summarised in Notes 19 and 20 of the consolidated financial statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2013

7 Reconciliation of movements on equity

	Equity share capital £ 000	Share premium £ 000	Other reserves £ 000	Profit and loss Account £ 000	Shareholders equity £ 000
Balance at 1 April 2011	766	7,136	8 565	10,016	26 483
Issue of shares	1	–	–	–	1
Shares acquired by the Company	–	–	–	(1)	(1)
Shares acquired by Employee Benefit Trust	–	–	(11)	–	(11)
Transferred on exercise of share options	–	–	262	(262)	–
Share-based payments	–	–	–	185	185
Balance from profit and loss account	–	–	–	1 512	1 512
Balance at 31 March 2012	767	7,136	8 816	11 450	28 169
Shares acquired by Employee Benefit Trust	–	–	(94)	–	(94)
Transferred on exercise of share options	–	–	94	(94)	–
Share-based payments	–	–	–	85	85
Balance from profit and loss account	–	–	–	1 287	1 287
Balance at 31 March 2013	**767**	**7,136**	**8,816**	**12,728**	**29,447**

Other reserves

Other reserves of £8 816 000 (2012 £8 816 000) comprise the capital redemption reserve £8 846 000 and a deficit of £30 000 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 relates to shares held by the API Group plc No 2 Employee Benefit Trust (the "Trust") established in 1997 to facilitate the operation of the Company s executive share schemes During the year the Trust acquired 163 800 shares for a consideration of £94 000 These shares were subsequently transferred to an employee in respect of the exercise of nil cost options At 31 March 2013 and 31 March 2012 the trust held 3 000,000 shares at an average cost of £0 01 per share and a total cost of £30 000

8 Profit attributable to members of the Parent Company

A profit of £1 287 000 for the year ended 31 March 2013 (2012 £1 512 000) 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 period amounted to £5 000 (2012 £5 000)

9 Contingent liabilities

The Company is party to a composite banking agreement providing unlimited guarantees between the Company and its UK subsidiaries At 31 March 2013 the Group's UK bank facilities totalled £7 3m (2012 £8 2m)

10 Related party transactions

In accordance with paragraph 3(c) of FRS 8 the Company has taken advantage of the exemption not to disclose related party transactions with wholly-owned subsidiaries There are no other related party transactions which require disclosure

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FINANCIAL RECORD

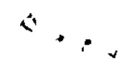
	Year ended 31 March 2013 £ 000	Year ended 31 March 2012 £ 000	Year ended 31 March 2011 £ 000	Year ended 31 March 2010 £ 000	Year ended 31 March 2009 £ 000
Continuing operations					
Revenue	**112,426**	113 935	99 963	79 192	87 411
Operating profit before exceptional items	**8,467**	6 878	5 194	3 266	2 723
Exceptional items	**(1,029)**	–	–	(626)	(546)
Operating profit	**7,438**	6 878	5 194	2 640	2 177
Net finance costs	**(1,622)**	(1 819)	(2 337)	(2 978)	(2 425)
Profit/(loss) before taxation	**5,816**	5 059	2 857	(338)	(248)
Tax (expense)/credit	**(41)**	(105)	(265)	2 804	(967)
Profit/(loss) from continuing operations	**5,775**	4,954	2,592	2 466	(1,215)
Discontinued operations					
Loss from discontinued operations	–	–	(4 124)	(4 358)	(2 169)
Profit/(loss) for the year	**5,775**	4 954	(1 532)	(1 892)	(3 384)
Attributable to					
Profit/(loss) attributable to equity holders of the Parent	**5,775**	4 954	1,980	124	(3 861)
(Loss)/profit attributable to non-controlling equity interest	–	–	(3 512)	(2 016)	477
Total profit/(loss) for the year	**5,775**	4 954	(1 532)	(1 892)	(3 384)

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

Basic earnings/(loss) per ordinary share (pence)					
From continuing operations	**7 8**	6 7	3 5	3 4	(1 7)
From total operations	**7 8**	6 7	2 7	0 2	(5 3)

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

Net debt (£ 000)	**(2,576)**	(3 587)	(8 511)	(18 527)	(14 692)
Gearing (%)	**11%**	17%	56%	107%	56%
Average number of employees – all businesses	**543**	540	671	691	789



FINANCIAL CALENDAR

Annual General Meeting
To be held at 2 00 p m 11 July 2013 at the offices of Eversheds LLP at 1 Wood Street London EC2B 7WS

Reports
Interim results announcement for six months to 30 September 2013 issued November 2013

Interim Report for six months to 30 September 2013 circulated December 2013

Final results announcement for the year ended 31 March 2014 issued June 2014

Annual Report for the year ended 31 March 2014 circulated June 2014

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

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METALLIC FOIL (front cover)

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