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ZOTEFOAMS PLC

Preliminary Results for the Year Ended 31 December 2010

Strong recovery; continued progress in new markets

Zotefoams plc ("Zotefoams", or "the Group" or "the Company"), which manufactures and sells high-performance foams, today announces its preliminary results for the 12 months ended 31 December 2010.

HIGHLIGHTS

- Revenue increased 25% to £39.88 million (2009: £31.82 million)
- Profit before tax and exceptional items increased 49% to £4.70 million (2009: £3.16 million)[1]
- HPP (High-Performance Polymers) foams sales grew 51% to £2.49 million (2009: £1.64 million)
- Turnover growth of 79% recorded in Asian markets
- Net cash of £1.86 million at 31 December 2010 (net debt of £0.43 million at 31 December 2009)[2]
- 5% increase in the proposed final dividend to 3.15p per ordinary share (2009: 3.00p)

Commenting on the results, Nigel Howard, Chairman, said:

"I am pleased to report a strong set of results for 2010. Sales of AZOTE® polyolefin foams increased by 22% from the low levels experienced in 2009, with the recovery broadly spread across all of our major geographic sales regions. Turnover growth of 79% in Asia was particularly pleasing given our focus on this region. Our High-Performance Polymer foam sales grew by 51% and in the opening months of 2011 we have received our first sales order for our microZOTE® roll foam line and made our first sale of Pebaxfoam® to the sports and leisure market. As our profits and dividend cover have significantly increased the Board now intends to adopt a progressive dividend policy subject to profit growth, investment requirements and the other needs of the business. We enter 2011 with a robust cash position as well as a wide variety of options for future growth and the Board is therefore confident about the long-term prospects for our business."

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[1] Profit before tax and after exceptional items was £5.80 million (2009: £2.75 million)
[2] Net cash/net debt are defined as cash less bank overdrafts and other bank borrowings

CHAIRMAN'S STATEMENT

Strategy
Zotefoams' strategy is to expand through a combination of profitable organic growth of both our Polyolefin and High-Performance Polymers ("HPP") businesses and through partnerships or acquisitions in related technologies, products or markets.

Objectives

We intend sales growth in our core polyolefin business to exceed twice the average rate of increase in GDP. As our markets become more international, business originated in one country often leads to sales in other areas. Zotefoams is a global organisation with sales in America being supported by our factory in Kentucky, USA, which opened in mid-2001. In Asia we continue to consider a similar operation, either directly or as a joint venture, as sales increase to a level where such an investment becomes financially attractive.

We are also committed to developing a portfolio of unique foam products from high-performance materials with significant competitive advantages over rival materials. This will allow us to command higher margins and affirm our position as a leading foam technology company.

We intend to achieve this growth while continuing to improve our operating margins and our return on capital employed.

Board
Our Board composition provides a balance of experience and independence, all aligned to our business needs and objectives. Sadly, at the end of November 2010, we were informed of the death of David Campbell who had served as a non-executive Director since 2007. David always made a valuable contribution to the deliberations of the Board and will be sadly missed as a colleague and a friend. We are currently recruiting two new independent non-executive Directors to replace David and in advance of Roger Lawson's anticipated retirement later in 2011 when he will have completed a nine year term.

Employees
Our business relies on the skills and dedication of our employees and on behalf of the Board I would like to thank all of our employees whose contribution to the business made 2010 a successful year.

Results
I am pleased to report our 2010 profit before tax and exceptional items increased by 49% to £4.70m (2009: £3.16m). Cash generated from operations was £7.23m (2009: £7.04m) and we finished the year with net funds of £1.86m (2009: net debt of £0.43m). International Accounting Standards require that from 1 July 2010 our 30% stake in MuCell Extrusion LLC ("MEL") was reported as a fully consolidated entity (prior to this MEL was treated as an associate entity) and the change in accounting treatment required by IFRS3 (revised) generated an exceptional profit of £1.10m. This exceptional item is a non-cash and non-taxable accounting entry. In 2009 exceptional costs of £0.41m were incurred primarily relating to the restructuring programme undertaken in Zotefoams in the first half of that year. Like for like sales (excluding MEL) increased by 23% to £39.27m (2009: £31.82m) as AZOTE® polyolefin sales volumes recovered in all major territories and our HPP segment turnover increased by 51% to £2.49m (2009: £1.64m). Consolidated sales, including six months sales of MEL, were £39.88m (2009: £31.82m).

Profit before tax after exceptional items totalled £5.80m (2009: £2.75m).

Dividend
As our profits and dividend cover have significantly increased the Board now intends to adopt a progressive dividend policy subject to profit growth, investment requirements and the other needs of the business. The Board therefore proposes a 5% increase in its final dividend to 3.15p per ordinary share (2009: 3.00p) which would make a total of 4.65p per ordinary share for the year (2009: 4.50p). At this level the dividend would be more than covered by two times post-tax earnings excluding exceptional items. If approved, the dividend will be paid on 24 May 2011 to shareholders on the register on 26 April 2011.

Outlook
So far in 2011 we have seen very strong levels of order intake. High levels of market demand for polymer products are leading to rising raw material prices and certain supply related issues, requiring us to adopt more flexible production schedules and utilise alternative sources of supply. In the opening months of 2011 we have received our first sales order for our microZOTE® roll foam line and made our first sale of Pebaxfoam®, a high energy-return elastomer developed and launched in 2010 for the sports and leisure market. Exchange rates for the first two months of the year have been at similar levels to our 2010 average. Zotefoams operates in global markets across a wide variety of industries and we have a wide-ranging development programme for new products and new geographical markets. We are therefore influenced by the global economic situation and the timing of sales from new products and markets is more uncertain than in the more established businesses. We enter 2011 with a robust cash position as well as a wide variety of options for future growth and the Board is therefore confident about the long-term prospects for our business.

Nigel Howard
Chairman
7 March 2011

MANAGING DIRECTOR'S REVIEW

Zotefoams is the world's leading manufacturer of cross-linked block foams. Its products are used in a wide range of markets including sports and leisure, packaging, automotive and aerospace, healthcare, construction, marine and the military. Through a unique production process, the Company produces foams which have controlled properties and are of a superior strength, consistency, quality and purity compared to foams produced by other methods.

Business Overview
2010 was a year of recovery and continued transition for Zotefoams as sales increased by 25% to £39.88m (2009: £31.82m). Sales of AZOTE® polyolefin foams increased by 22% from the low levels experienced in 2009. Importantly, the recovery was broadly spread across all of our major geographic sales regions. Turnover growth of 79% in Asia was particularly pleasing given our recent strategic investment and focus in this region. Our High-Performance Polymer ("HPP") foam sales grew by 51% and now represent 6.3% of Group foam sales excluding MEL. Turnover from MuCell Extrusion LLC ("MEL"), whose primary business is the licensing of technology for foaming using extrusion processes, was £0.61m for the six months from 1 July 2010. This represents 1.5% of Group sales in the year. Our sales growth is a direct result of Zotefoams' strategy of investing in our AZOTE® business while developing unique foams for high-performance applications.

Our AZOTE® block foams are manufactured using a unique production process which uses nitrogen gas at high temperature and pressure to foam solid plastics. AZOTE® polyolefin foams are used in a wide variety of applications where their consistency, purity, performance at light weight and durability are valued across the world. Typically, our products are sold to foam converters who process the foam by a variety of techniques such as cutting, welding, moulding and routing into finished or semi-finished parts based on end-user requirements.

Zotefoams uses this same unique technology to process high-performance polymers into our HPP block foams. In 2010 we developed foam made from Pebax® polyether block amide copolymer. This was launched late in 2010 as the fourth major HPP foam range alongside our ZOTEK® fluoropolymer and nylon block foams and our microZOTE® closed-cell roll foams. Pebaxfoam® builds on Arkema's strong Pebax® trademark and is being promoted jointly by Zotefoams and Arkema into a variety of applications with a particular focus on the sports market where the high energy-return properties are of particular interest. Our HPP block foams are targeted at highly technical and demanding applications, often in markets such as aerospace, pharmaceutical, semi-conductor, chemical processing and automotive where market development lead times are long. The timing of revenue generation from these types of development is therefore inherently difficult to predict. Our microZOTE® products, made using the patented MuCell® CO_2 foaming process, are currently focused on roll foam polyolefins and offer customers pure and environmentally friendly foam in thin roll format. We increased expenditure on research and development, primarily related to our HPP segment, by 13% to £875,000 (2009: £776,000) reflecting the scale of the opportunities we see in the future of this business.

Turnover in our AZOTE® polyolefin business grew 22% to £36.78m (2009: £30.17m). Overall sales volumes increased by 26% offset by a 2% adverse currency movement and a slight change in product mix. Recovery from 2009 was strongest in geographies with a higher concentration of industrial applications, such as Germany and northern Europe. Turnover in UK and North America increased by 18% and 17% respectively while sales in France, where our consumer-focused end use insulated us from the worst effects of recession in 2009, were relatively flat. Sales in Asia increased by 57% compared to 2009 and now represent approximately 6% of global AZOTE® turnover. The average price of our major raw material LDPE (low density polyethylene) increased by 33% to €1,250 per tonne. Operating margins in our AZOTE® polyolefin business increased to 14.4% (2009:13.0%) as a result of increased sales volumes and tight cost controls exceeding input price increases.

HPP sales grew by 51% in 2010 to £2.49m (2009: £1.64 m). T-Tubes™ high-performance insulation, made from ZOTEK® F fluoropolymer foam, was the fastest growing product line in the period and accounted for approximately one quarter of all HPP sales in 2010. Our ZOTEK® F fluoropolymer foams continue to find new applications in aviation and aerospace and, in particular a large project with the European Space Agency for packaging materials for the international space station was completed in 2010. The majority of ZOTEK® F sales are in aviation, currently primarily in North America and this is progressing well although delays in the launch of some customer programs will slow growth in this market during 2011. During 2010 we made good progress improving manufacturing reliability of our ZOTEK® N nylon foams. The development pipeline for nylon foam is now showing its promise with the number of current commercial applications being small relative to the potential under evaluation. To meet existing demand and support this development pipeline we are currently building inventories of two commercially launched products in this range, both of which exhibit excellent temperature resistance. Therefore, despite the delays experienced to date, we continue to believe in the transformational potential of the nylon product line.

The costs of development of our microZOTE® closed-cell roll foams, including depreciation, are recorded within our HPP business segment. The first commercial products, recyclable closed-cell polyethylene foams, were launched late in 2010 and, following customer trials, we recently received our first sales order.

Group capital expenditure was substantially related to our AZOTE® business with a new low-pressure expansion vessel delivered in late 2010 for commissioning in mid-2011 being the largest single project. Other capital expenditure was focused on plant reliability, efficiency and "de-bottlenecking" with investment in electrical infrastructure and high-pressure compressor capacity and associated systems. In addition, we completed the upgrade of our extrusion system for nylon, having traced some problems in the development of nylon foams caused by this machinery. Overall we invested £2.67m (2009: £3.43m) which is slightly below depreciation of £3.11m due to the timing of expenditure on large projects.

MEL is involved in the development and licensing of technology for microcellular foam extrusion of sheet and profiles using carbon dioxide or nitrogen. Many MEL licensees are interested in relatively small reductions in polymer content, creating "foams" with microcellular bubbles reducing weight in the order of 10-30%, simply to reduce costs. Other licensees are interested in creating fully recyclable, light-density foams using environmentally friendly, naturally occurring gases. Often available as a retrofit to existing process machinery, MEL's technology is perfectly aligned to meet the global trends of reducing polymer content in response to increasing commodity prices and environmental responsibility. The anniversary dates when most of the revenue is generated of the current licence portfolio fall mainly in the first six months of the year and turnover for the second half of the year, fully consolidated into Zotefoams' results for the first time was £0.61m. Zotefoams owns 30% of MEL and holds an option, exercisable by 30 June 2011, to acquire the remaining balance of 70% of the shareholding units in MEL.

Strategy and Objectives
Zotefoams' strategy is to grow its existing business in polyolefin foams while developing a portfolio of high-performance polymers. In 2010 aided by the recovery in economic conditions, we made very solid progress on all of our stated objectives. Our AZOTE® business delivered a record sales year as did our HPP business. We finished the year with positive cash while investing in the development of a wider portfolio of new products and in capacity and efficiency improvements primarily in our Croydon plant.

Our stated objectives are to:

1. Grow sales in our polyolefin business:
    a) In excess of the rate of inflation in Europe
    b) To achieve double digit percentage growth in North America
    c) To achieve double digit percentage growth in Asia.

2. Develop a HPP portfolio to deliver enhanced margins.

3. Improve our operating margins.

4. Improve our return on capital employed.

Performance against these objectives was as follows:

1. Sales
   a) Turnover from our AZOTE® polyolefin foams increased by 24% in the UK and Europe in constant currency;
   b) In North America polyolefin sales increased by 16% in constant currency; and
   c) Polyolefin foams sales in Asia grew by 57% and this region now accounts for 6.1% of global AZOTE® revenues.

2. HPP sales grew by 51% and now represent 6.3% of Group foam sales excluding MEL. The operating loss on this segment before depreciation was £0.19m (2009: £0.41m) as we continue to invest in R&D and marketing products which in 2010 were not yet revenue generating such as microZOTE®, Pebaxfoam® and other development projects at pre-production stage. Sales of ZOTEK® F and T-Tubes™ are profitable.

3. Group operating margins, excluding exceptional items and MEL, increased to 12.4% (2009: 10.7%) our highest level in recent years.

4. Pre-tax return on average capital employed, excluding exceptional items and MEL, increased from 11.5% to 16.9%.

From 2011, we intend to focus on the same four key objectives in our business. However, as the AZOTE® polyolefin business becomes more global, with sales development in one region leading to sales in another and customer manufacturing locations more likely to relocate between regions, we will adopt a single measure across this business. From 2011 our initial objective will be "Sales growth in our polyolefin business to exceed twice the average rate of GDP growth".

Financial Results

Zotefoams owns a 30% interest in MEL with an option to increase its holding to 100%. This option is exercisable from 1 July 2010 to 30 June 2011. Under IFRS3 (revised), Zotefoams is therefore deemed to have a controlling interest in MEL from 1 July 2010 requiring a deemed disposal of Zotefoams' associate interest at 1 July 2010 and MEL to be consolidated in Zotefoams' consolidated group accounts from that date even though Zotefoams has not exercised the option. If Zotefoams do not acquire a controlling interest in MEL by 30 June 2011, the date the purchase option lapses, then from this date MEL will no longer be consolidated in Zotefoams' group accounts. In these circumstances, from 1 July 2011, Zotefoams would treat its 30% holding as an associate interest.

The required accounting treatment in Zotefoams' consolidated income statement has created a deemed disposal of this associate interest on 1 July 2010 disclosed as an exceptional item and the consolidation of MEL as a subsidiary company for the six months ended 31 December 2010. The exceptional profit created on the deemed disposal of Zotefoams' associate interest in MEL is £1.10m. £0.65m of this is due to the uplift in the fair value of MEL. At 1 July 2010 the fair value of MEL has been reassessed at $12.38m, which is the sum of the $3.00m Zotefoams paid in 2008 for its original 30% share and $9.38m which is the option price for the remaining 70% share to take full ownership. The remaining £0.45m exceptional profit is the exchange movement on the original $3.00m investment which until 30 June 2010 has been taken to the Statement of Comprehensive Income rather than the Income Statement. On the deemed disposal of the associate interest this exchange movement is now taken out of reserves to the Income Statement as an exceptional item. It is recognised as a profit as the original investment made in MEL was in 2008 when the exchange rate was $/£2.00 and the exchange rate at 1 July 2010 was $/£1.51.

Group turnover increased by 25% from £31.82m to £39.88m in 2010. Excluding MEL and exceptional items, gross margin fell from 31% in 2009 to 29% in 2010. Raw material price rises and an unfavourable currency impact of approximately 1% were partially offset by the operational gearing benefit of the additional sales volumes and efficiency improvements. The average price of low density polyethylene, our largest raw material, increased by 33%: from €940 per tonne in 2009 to €1,250 per tonne in 2010. Underlying distribution costs and administrative expenses excluding MEL, foreign exchange gains and losses and exceptional items, increased by 15% to support the sales growth and investment in HPP.

Profit before tax and exceptional items increased by 49% from £3.16m to £4.70m. The inclusion of MEL as a subsidiary in the second half of the year has a minimal effect on profit. Due to the timing of revenue recognised on its current licence agreements MEL makes most of its profit in the first half of the calendar year. Profit before tax after exceptional items totaled £5.80m (2009: £2.75m).

The effective tax charge, pre-exceptional items is 21%, (2009: 22%) which is lower than the UK corporation tax rate of 28%. This is principally due to the lower tax charges incurred in our USA operations where we have brought forward tax losses and UK research and development tax credits. The cash impact of the tax charge is higher at 24% (2009: 27%) because of a deferred tax credit of £0.15m (2009: £0.15m) reflecting the difference in timing between tax allowances and accounting charges.

Earnings Per Share and Dividend

Group earnings per share were 10.2p (2009: 6.8p) before and 13.1p (2009: 5.9p) after exceptional items. The Directors are recommending an increased final dividend of 3.15p per share, and, subject to shareholder approval, payable on 24 May 2011 to shareholders on the Company register at 26 April 2011. This would bring the total dividend to 4.65p per ordinary share for the year (2009: 4.50p).

Cash Flow

Earnings before interest. tax, depreciation and amortisation (EBITDA) before exceptional items were £8.09m (2009: £7.00m) reflecting the higher operating profit. Cash generated from operations was £7.23m (2009: £7.04m) after payments to the pension fund of £0.66m and an increase in working capital of £0.38m. This funded capital expenditure of £2.67m (2009: £3.43m). After tax payments of £0.99m and the payment of dividends of £1.65m the Group was left with net funds of £1.86m (2009: net debt of £0.43m). This includes £0.36m for the cash held by MEL which was not consolidated in 2009.

Balance Sheet

The Consolidated Statement of Financial Position includes MEL's net assets of £7.68m. This is principally comprised of intangible assets and goodwill of £7.17m and cash balances of £0.36m. In Consolidated Equity, within this statement, a non-controlling interest of £5.38m is shown which represents the 70% share of MEL which Zotefoams does not own.

Pensions

The gross IAS19 deficit on the Company's Defined Benefit Pension Scheme (the "Scheme") decreased by £0.82m from £5.78m to £4.96m. The reduction was due to higher than expected return on assets, the contributions paid into the Scheme and lower assumptions for inflationary increases. This was partly offset by a lower discount rate assumption. Company contributions to the Scheme in 2010 were £0.66m as agreed by the Company and the Trustees following the 2008 triennial review to reduce the deficit. This will be reviewed after the next triennial actuarial valuation of the pension fund which will be calculated on the fund's position in April 2011. The Company closed the Scheme to future accrual of benefit in 2005. The Company has entered into discussion with the Scheme Trustees on changes in government guidance on inflation measures from RPI to CPI. These discussions are still underway and the Company has therefore left the inflation measures unchanged for these financial statements.

David Stirling
Managing Director
7 March 2011

ZOTEK®, AZOTE® and microZOTE® are registered trademarks of Zotefoams plc
T-Tubes™ is a trademark of UFP Technologies Inc.
MuCell® is a registered trademark of Trexel Inc.
Pebax® and Pebaxfoam® are registered trademarks of Arkema

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2010

	Note	**Pre-exceptional items 2010 £000**	**Exceptional items (see note 4) 2010 £000**	**Total 2010 £000**	Pre-exceptional items 2009 £000	Exceptional items (see note 4) 2009 £000	Total 2009 £000
Revenue	2	**39,879**	**-**	**39,879**	31,816	-	31,816
Cost of sales		**(28,430)**	**-**	**(28,430)**	(21,941)	(312)	(22,253)
Gross profit/(loss)		**11,449**	**-**	**11,449**	9,875	(312)	9,563
Distribution costs		**(3,220)**	**-**	**(3,220)**	(2,745)	(38)	(2,783)
Administrative expenses		**(3,403)**	**-**	**(3,403)**	(3,714)	(59)	(3,773)
Operating profit/ (loss)		**4,826**	**-**	**4,826**	3,416	(409)	3,007
Financial income	5	**1,116**	**-**	**1,116**	810	-	810
Finance costs	5	**(1,329)**	**-**	**(1,329)**	(1,168)	-	(1,168)
Deemed disposal of associate interest		**-**	**1,098**	**1,098**	-	-	-
Share of profit from associate		**88**	**-**	**88**	99	-	99
Profit/(loss) before tax		**4,701**	**1,098**	**5,799**	3,157	(409)	2,748
Taxation	6	**(995)**	-	**(995)**	(690)	106	(584)
Profit/(loss) for the year	3	**3,706**	**1,098**	**4,804**	2,467	(303)	2,164
Attributable to:							
Equity holders of the parent		**3,729**	**1,098**	**4,827**	2,467	(303)	2,164
Non-controlling interest		**(23)**	**-**	**(23)**	-	-	-
		3,706	**1,098**	**4,804**	2,467	(303)	2,164
Earnings per share							
Basic (p)	7			**13.1**			5.9
Diluted (p)	7			**12.8**			5.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2010

	2010 £000	2009 £000
Profit for the year	**4,804**	2,164
Other comprehensive income		
Foreign exchange translation differences on investment in foreign subsidiary/associate	**(402)**	(1,251)
Effective portion of changes in fair value of cash flow hedges net of recycling	**(33)**	1,228
Actuarial gains/(losses) on defined benefit schemes	**308**	(2,698)
Tax relating to components of other comprehensive income	**(77)**	411
Other comprehensive income/(expenditure) for the period, net of tax	**(204)**	(2,310)
Total comprehensive income /(expenditure) for the year	**4,600**	(146)
Attributable to:		
Equity holders of the parent	**4,844**	(146)

Non-controlling interest	**(244)**	-
Total comprehensive income/(expenditure) for the year	**4,600**	(146)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2010

	Note	**2010 £000**	2009 £000
Non–current assets			
Property, plant and equipment		**25,597**	25,829
Intangible assets		**7,168**	75
Investment in associate	9	**-**	1,687
Deferred tax assets		**352**	249
Total non–current assets		**33,117**	27,840
Current assets			
Inventories		**4,134**	4,382
Trade and other receivables		**9,463**	7,729
Cash and cash equivalents		**4,716**	2,975
Total current assets		**18,313**	15,086
Total assets		**51,430**	42,926
Non–current liabilities			
Interest–bearing loans and borrowings		**(1,488)**	(2,134)
Employee benefits	10	**(4,959)**	(5,783)
Deferred tax liabilities		**(1,317)**	(1,377)
Total non–current liabilities		**(7,764)**	(9,294)
Current liabilities			
Interest–bearing loans and borrowings		**(660)**	(660)
Bank overdraft		**(711)**	(611)
Tax payable		**(709)**	(547)
Trade and other payables		**(4,989)**	(4,132)
Total current liabilities		**(7,069)**	(5,950)
Total liabilities		**(14,833)**	(15,244)
Total net assets		**36,597**	27,682
Equity			
Issued share capital		**1,915**	1,915
Own shares held		**(69)**	(95)
Share premium		**13,941**	13,941
Capital redemption reserve		**15**	15
Translation reserve		**859**	1,040
Hedging reserve		**(69)**	(36)
Retained earnings		**14,630**	10,902
Total equity attributable to the equity holders of the parent		**31,222**	27,682
Non-controlling interest		**5,375**	-
Total equity		**36,597**	27,682

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2010

	Note	**2010 £000**	2009 £000
Cash flows from operating activities			
Profit for the year		**4,804**	2,164
Adjustments for:			
Depreciation, amortisation and impairment		**3,260**	3,588
Gain on deemed sale of interest in MuCell Extrusion LLC		**(1,098)**	-
Loss on sale of plant and equipment		**10**	90
Financial income		**(1,116)**	(810)
Finance costs		**1,329**	1,168
Share of income from associate		**(88)**	(99)
Equity–settled share–based payments		**170**	211
Taxation		**995**	584
Operating profit before changes in working capital and provisions		**8,266**	6,896
(Increase)/decrease in trade and other receivables		**(1,314)**	577
Decrease/(increase) in inventories		**312**	(152)
Increase in trade and other payables		**622**	435
Decrease in provisions and employee benefits		**(660)**	(715)
Cash generated from operations		**7,226**	7,041
Interest paid		**(83)**	(110)
Tax paid		**(986)**	(1,123)
Net cash from operating activities		**6,157**	5,808
Interest received		**16**	18
Proceeds from disposal of plant and equipment		**12**	-
Acquisition of property, plant and equipment		**(2,668)**	(3,431)
Distribution from associate		**82**	104
Net cash used in investing activities		**(2,558)**	(3,309)

Proceeds from issue of share capital	**430**	-
Repurchase of own shares	**(334)**	-
New borrowings	**-**	3,289
Repayment of borrowings	**(660)**	(795)
Cash deemed to have been acquired	**332**	-
Distribution by subsidiary to non-controlling interest	**(134)**	-
Dividends paid	**(1,653)**	(1,638)
Net cash used in financing activities	**(2,019)**	856
Net increase in cash and cash equivalents	**1,580**	3,355
Cash and cash equivalents at 1 January	**2,364**	(852)
Effect of exchange rate fluctuations on cash held	**61**	(139)
Cash and cash equivalents at 31 December	**4,005**	2,364

Cash and cash equivalents comprise cash at bank and short−term highly liquid investments with a maturity date of less than three months.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company									
	Note	Share capital £000	Own shares held £000	Share premium £000	Capital redemption reserve £000	Translation reserve £000	Hedging reserve £000	Retained earnings £000	Total £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2009		1,889	(69)	13,941	15	2,291	(1,264)	12,418	29,221	-	29,221
Shares issued		26	(26)	-	-	-	-	-	-	-	-
Total recognised income and expense		-	-	-	-	(1,251)	1,228	(123)	(146)	-	(146)
Equity−settled share-based payment transactions net of tax		-	-	-	-	-	-	245	245	-	245
Dividends	8	-	-	-	-	-	-	(1,638)	(1,638)	-	(1,638)
Balance at 31 December 2009		1,915	(95)	13,941	15	1,040	(36)	10,902	27,682	-	27,682
Balance at 1 January 2010		1,915	(95)	13,941	15	1,040	(36)	10,902	27,682	-	27,682
Non-controlling interest on deemed acquisition		-	-	-	-	-	-	-	-	5,753	5,753
Shares issued		-	39	-	-	-	-	391	430	-	430
Shares Acquired		-	(13)	-	-	-	-	(321)	(334)	-	(334)
Total recognised income and expense		-	-	-	-	(181)	(33)	5,058	4,844	(244)	4,600
Equity−settled share-based payment transactions net of tax		-	-	-	-	-	-	253	253	-	253
Dividends	8	-	-	-	-	-	-	(1,653)	(1,653)	(134)	(1,787)
Balance at 31 December 2010		**1,915**	**(69)**	**13,941**	**15**	**859**	**(69)**	**14,630**	**31,222**	**5,375**	**36,597**

The aggregate current and deferred tax relating to items that are credited to equity is £10,000 (2009: a credit of £452,000).

1. Accounting policies

Zotefoams plc (the 'Company') is a Company incorporated in Great Britain.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'). The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS").

The financial information does not constitute the Company's statutory accounts for the year ended 31 December 2010 or 2009 but is derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies, and those for 2010 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 498 (2) of the Companies Act 2006.

2. Segment reporting

The Group manufactures and sells high−performance foams and licenses related technology for specialist markets worldwide. Zotefoams activities are categorised as follows:

- Polyolefins: these foams are made from olefinic homopolymer and copolymer resin. The most common resin used is polyethylene.

- High−performance polymers (HPP): these foams exhibit high−performance on certain key properties, such as improved chemical, flammability or temperature performance, due to the resins on which they are based.

Turnover in the segment is currently mainly derived from our ZOTEK® F foams and T-Tubes™ insulation both made from PVDF fluoropolymer. Other products either commercially launched or being assessed in development include foams made from polyamide (nylon) and Pebax®. Also included in this segment is our microZOTE® closed-cell roll foams. Currently developed microZOTE® products are made using polyolefin resins. However management consider the markets, products and stage of business development sufficiently different from our AZOTE® polyolefin business to classify this development as part of the HPP business segment at present.

- MuCell Extrusion LLC ("MEL"): licenses microcellular foam technology and sells related machinery. The results below are those consolidated for the last six months of 2010.

Due to our unique manufacturing technology Zotefoams can produce polyolefin foams with superior performance to other manufacturers. Our strategy is to use the capabilities of our technology to produce foams from other materials in addition to polyolefins. The development of a portfolio of foams from high-performance polymers is currently in its early stages with portfolio costs (including the technical and marketing costs to develop these materials) exceeding revenues.

There are no transactions between reportable segments apart from the sale of minor equipment from MEL to microZOTE®, within our HPP segment.

	Polyolefins		HPP		MEL		Consolidated	
	2010 £000	2009 £000	**2010 £000**	2009 £000	**2010 £000**	2009 £000	**2010 £000**	2009 £000
Revenue from external customers	**36,784**	30,174	**2,485**	1,642	**610**	-	**39,879**	31,816
Pre-exceptional operating profit/(loss)	**5,285**	3,933	**(427)**	(517)	**(32)**	-	**4,826**	3,416
Exceptional items							**1,098**	(409)
Net financing costs							**(213)**	(358)
Profit/(loss) from associate							**88**	99
Taxation							**(995)**	(584)
Profit for the year							**4,804**	2,164
Segment assets	**38,580**	37,740	**4,746**	4,937	**7,752**	-	**51,078**	42,677
Unallocated assets	**-**	-	**-**	-	**-**	-	**352**	249
Total assets							**51,430**	42,926
Segment liabilities	**(12,626)**	(12,884)	**(111)**	(436)	**(70)**	-	**(12,807)**	(13,320)
Unallocated liabilities	**-**	-	**-**	-	**-**	-	**(2,026)**	(1,924)
Total liabilities							**(14,833)**	(15,244)
Depreciation	**2,868**	3,437	**235**	105	**8**	-	**3,111**	3,542
Capital expenditure	**1,952**	1,922	**711**	1,509	**5**	-	**2,668**	3,431

Geographical segments
Polyolefins, HPP and MEL are managed on a worldwide basis but operate from UK and US locations. In presenting information on basis of geographical segments, segmental revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets.

	UK and Eire £000	Europe £000	North America £000	Rest of the world £000	Total £000
For the year ended 31 December 2010					
Revenue from external customers	**7,721**	**19,277**	**9,765**	**3,116**	**39,879**
Segment assets	**35,941**	**-**	**15,489**	**-**	**51,430**
Capital expenditure	**2,572**	**-**	**96**	**-**	**2,668**
For the year ended 31 December 2009					
Revenue from external customers	6,503	15,428	8,218	1,667	31,816
Segment assets	33,793	-	9,133	-	42,926
Capital expenditure	3,359	-	72	-	3,431

Major customer
Revenues from one customer of the Group's represents approximately £5,198k (2009: £4,186k) of the Group's total revenues.

3. Expenses and auditors' remuneration

	2010 £000	2009 £000
Included in profit for the year are:		
Research and development costs expensed	**875**	776
Net exchange (gains)/losses	**(77)**	759
Auditors' remuneration:		

Group	- audit of these financial statements	**94**	90
	- fees receivable by the auditors and their associates in respect of other services:		
	- other services pursuant with legislation	**30**	19
	- other services relating to taxation	**15**	40
	- other services relating to acquisition of associate	**4**	-
		143	149

4. Exceptional Items
The Company has classified the following as exceptional items:

Acquisition of MuCell
Relating to acquisition adjustments arising through revaluation of assets and translation reserves transferred to retained earnings.

Zotefoams Inc. owns 30% of the ownership units of MuCell Extrusion LLC. From 1 July 2010 Zotefoams has an option to purchase MuCell Extrusion LLC and is deemed to have a controlling interest under IFRS3 (revised). From 1 July 2010 MuCell Extrusion LLC has therefore been treated as a subsidiary.

Restructuring costs
Relating to termination payments, advisory and other associated costs for the termination of 33 employees in the first half of 2009.

VAT
Adjustment made in 2009 to exceptional item in prior year

	2010 £000	2009 £000
Gain on deemed acquisition of MuCell Extrusion LLC	**1,098**	-
Restructuring costs	**-**	(439)
VAT adjustment	**-**	30
Exceptional items before taxation	**1,098**	(409)
Tax on above	**-**	106
Exceptional items after taxation	**1,098**	(303)

5. Finance income and costs
Financial income

	2010 £000	2009 £000
Interest on bank deposits	**16**	18
Expected return on assets of defined benefit pension fund	**1,100**	792
	1,116	810

Finance costs

	2010 £000	2009 £000
On bank loans and overdrafts	**85**	103
Interest on defined benefit pension obligation	**1,244**	1,065
	1,329	1,168

6. Taxation

	Note	**2010 £000**	2009 £000
UK corporation tax		**1,118**	741
Overseas taxation		**29**	13
Adjustment to prior year UK tax charge		**1**	(20)
Current taxation		**1,148**	734
Deferred taxation	19	**(153)**	(150)
Total tax charge		**995**	584

Factors affecting the tax charge
The tax charge for the year is lower (2009: lower) than the standard rate of corporation tax in the UK of 28.0% (2009: 28.0%). The differences are explained below:

	2010 £000	2009 £000
Tax reconciliation		
Profit before tax	**5,799**	2,748
Tax at 28.0% (2009: 28.0%)	**1,624**	769
Effects of:		
Deemed disposal of associate interest not liable for tax	**(307)**	-
Research and development tax credits and other allowances less expenses not deductible for tax purposes	**(111)**	(69)
Overseas earnings and effect of US tax losses	**(212)**	(96)
Adjustments to UK corporation tax charge in respect of previous periods	**1**	(20)
Total tax charge	**995**	584

7. Dividends and earnings per share

	2010	2009

	£000	£000
Final dividend prior year of 3.0p (2008: 3.0p) net per 5.0p ordinary share	**1,100**	1,091
Interim dividend of 1.5p (2009: 1.5p) net per 5.0p ordinary share	**553**	547
Dividends paid during the year	**1,653**	1,638

The proposed final dividend for the year ended 31 December 2010 of 3.15p per share (2009: 3.0p) is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements.

Earnings per ordinary share

Earnings per ordinary share is calculated by dividing profit after tax attributable to equity holders of the parent company of £4,827,000 (2009: £2,164,000) by the weighted average number of shares in issue during the year excluding own shares held by employee trusts which are administered by independent trustees. The number of shares held in the trust at 31 December 2010 was 1,389,861 (2009: 1,891,147). Distribution of shares from the trust is at the discretion of the trustees. Diluted earnings per ordinary share adjusts for the potential dilutive effect of share option schemes in accordance with IAS 33.

	2010	2009
Average number of ordinary shares issued	**36,727,932**	36,402,886
Deemed issued for no consideration	**982,816**	1,001,188
Diluted number of ordinary shares issued	**37,710,748**	37,404,074

Shares deemed issued for no consideration have been calculated based on the potential dilutive effect of the Executive Share Option Scheme, options granted under the HMRC Approved Share Option Scheme, Long-Term Incentive Plans, the 2009 Share Bonus Plan and the Deferred Bonus Plan:

		Number of shares under option	
Date from which exercisable	Exercise price	**2010**	2009
7 April 2007	72.5p	**59,631**	152,834
22 December 2008	77.0p	**213,311**	684,213
11 March 2010	nil	-	217,775
20 March 2011	nil	**128,005**	230,304
12 August 2011	106.7p	**249,998**	253,044
16 March 2012	nil	**465,355**	516,387
11 March 2013	nil	**25,484**	30,165
19 March 2013	nil	**214,093**	-
19 March 2013	95.0p	**47,367**	-
		1,403,244	2,084,722

The average fair value of one ordinary share during the year was considered to be 123.5p (2009: 67.9p).

8. Investments in subsidiaries

	Company	
	2010 £000	2009 £000
Shares in Group undertakings - at cost	**7,157**	7,157
Provision against the value of investment in subsidiary to reflect the value of the underlying net assets	**(3,294)**	(3,294)
Loan to Group undertakings	**4,152**	4,025
	8,015	7,888

The investments consist of the entire ordinary share capital of Zotefoams International Limited and a $6,500,000 loan (2009: $6,500,000) to Zotefoams Inc.

The movements in investments during the year were due to foreign exchange differences.

The following is a complete list of the subsidiary undertakings of the Company:

	Ownership
Zotefoams International Limited	100%
Zotefoams Inc.	100%
MuCell Extrusion LLC	30%

Zotefoams International Limited is incorporated in Great Britain. Zotefoams Inc. and MuCell Extrusion LLC are incorporated in the USA.

The principal activities of the subsidiary undertakings are as follows: Zotefoams Inc. purchases, manufactures and distributes cross-linked block foams and Zotefoams International Limited is a holding company. MuCell Extrusion LLC holds and develops microcellular foam technology which it licenses to customers. In the opinion of the Directors the investments in the Company's subsidiary undertakings are worth at least the amount at which they are stated in the Balance Sheet.

The reporting date for MuCell Extrusion LLC is 30 June. The financial information included within these financial statements is based on management information as at 31 December.

Deemed Acquisition of MuCell Extrusion LLC

Zotefoams Inc owns 30% of the units in MuCell Extrusion LLC, whose principal place of business is Massachusetts, USA, with an option to increase its unit holding to 100%. The earliest this option could be exercised was 1 July 2010 but it may be exercised as late as June 2011. As Zotefoams plc can take ownership of the Company by exercising this option it is deemed to have a controlling interest under IFRS 3 (revised) and therefore from 1 July 2010 MuCell Extrusion LLC has been consolidated as a subsidiary.

Fair value of identifiable assets acquired and liabilities deemed acquired as at 1 July 2010:

	£000
Property, plant and equipment	43
Intangible assets	3,988
Inventories	40
Trade receivables	263
Other receivables and prepayments	164
Cash at bank	332
Trade and other payables	(207)
Total identifiable net assets	4,623

The fair value of intangible assets has been determined by an independent valuation. These have been determined as follows:

Marketing related intangible assets
Those assets deemed acquired which are primarily used in the marketing or promotion of products and services. This includes the following assets (or right to use the following assets): trademarks, trade names, service marks, collective marks, certification marks, unique trade dress and internet domain names. These were valued by means of the royalty savings (relief from royalty) method of the income approach. Employing this concept the marketing related intangible assets are valued on the basis of the incremental after tax savings accruing to the owner because they do not have to pay a royalty to someone else for its use. A 16% discount rate has been used to calculate an after tax present value. A useful economic life of 10 years has been used.

Customer related intangible assets
Those assets consisting of customer lists, order or production backlogs, customer contracts and relationships and non-contractual customer relationships. These have been valued by calculating the present value of income, using a 16% discount rate, attributable to relationships with customers of the Company across the equipment and engineering business of MuCell Extrusion LLC. A useful economic life of 6 years has been used.

Technology related intangible assets
Those assets deemed acquired relating to innovations or technological advances. Such assets include computer software, patented and unpatented technology, databases and trade secrets. These have been valued using an income approach by calculating a present value using a 14% discount rate on the after tax cash flow derived from the licensing activity of MuCell Extrusion LLC. A useful economic life of 17 years has been used.

Goodwill
Goodwill was recognised as a result of the deemed acquisition as follows:

	£000
Assumed consideration	
Price originally paid ($3.00m) at 1 July 2010 exchange rate	1,992
Assumed purchase price for remaining 70% shareholding	6,226
Total assumed consideration	8,218
Fair value of identifiable net assets	(4,623)
Goodwill	3,595

The re-measurement to fair value on 1 July 2010 of the Group's existing 30 percent interest in MEL resulted in a gain of £650,000. This together with £448,000 of exchange movements on the associate interest which had previously been taken to translation reserves and are transferred to the Income Statement on the deemed disposal of the associate interest have been recognised in profit before tax in the Statement of Comprehensive Income as an exceptional item.

The goodwill is attributable mainly to non-contractual or non-separable assets such as market share which are difficult to measure, the value of the identified intangible assets beyond their assumed useful life for amortisation purposes, the skills and technical talent of MEL's work force and the synergies expected to be achieved from integrating the Company into the Group's existing foam business. Following the deemed acquisition, only the amount equal to the original contribution of $3.00m is expected to be deductible for tax purposes.

The valuation of the goodwill, intangible and tangible assets of MuCell Extrusion LLC is provisional. These assets and liabilities need to be re-measured when Zotefoams decides whether to exercise the option to acquire the remaining 70% shareholding in MuCell Extrusion LLC that it does not own during 2011 or allow the option to lapse.

Non-controlling interest
The non-controlling interest has been calculated as 70% of the income and fair value of the net assets of MuCell Extrusion LLC reflecting the share ownership percentage of the Company which Zotefoams does not own.

Summary aggregated financial information on MuCell Extrusion LLC
The summary aggregated income statements for MuCell Extrusion LLC for the six months ending 31 December 2010 (the period for which MEL has been consolidated) together with that for the year ending 31 December 2010 are as follows:

For the period: 100% of MuCell Extrusion LLC	**6 months ended 31 December 2010 £000**	**12 months ended 31 December 2010 £000**
Revenue	**610**	**1,527**
Amortisation	**(124)**	**(235)**
Loss/(gain) after amortisation	**(32)**	**261**

Impact of deemed acquisition on Group income statement

If the deemed acquisition of MEL had occurred on 1 January 2010 the impact on the Group Income Statement excluding exceptional items would have been as follows:

	Including MEL as a subsidiary for the full year ended 31 December 2010 £000	As reported: year ended 31 December 2010 £000
Revenue	**40,796**	**39,879**
Operating profit	**5,128**	**4,826**
Financial income	**1,116**	**1,116**
Finance costs	**(1,329)**	**(1,329)**
Share of profit from associate	**-**	**88**
Profit before tax	**4,915**	**4,701**
Taxation	**(995)**	**(995)**
Profit for the year	**3,920**	**3,706**
Non-controlling interest	**(171)**	**23**
Profit attributable to equity holders of the parent	**3,749**	**3,729**

9. Investments in associates

Zotefoams owns 30% of the share capital of MuCell Extrusion LLC. All the share capital of MuCell Extrusion LLC is denominated in units of the same class. MuCell Extrusion LLC therefore has been treated as an associate company up to 30 June 2010. At 1 July 2010 until 30 June 2011 Zotefoams has an option to purchase the remaining 70% share holding it does not already own and this requires MuCell Extrusion LLC to be included in Zotefoams' consolidated accounts under IFRS3 (revised).

Summary aggregated financial information on associates - 100 per cent:

At 31 December:	**2010 £000**	2009 £000
Goodwill	-	2,798
Intangible assets	-	2,129
Tangible assets	-	31
Current assets	-	288
Cash	-	268
Total assets	-	5,514
Total liabilities	-	(121)
Net assets	-	5,393

For the period:	**6 months ended 30 June 2010 £000**	12 months ended 31 December 2009 £000
Revenue	**917**	1,651
Amortisation	**(111)**	(217)
Gain after amortisation	**293**	330

Reconciliation of movement in MuCell Extrusion LLC valuation:

	2010 £000	2009 £000
Initial cost of investment including expenses		
Cost brought forward as at 1 January	**1,687**	1,912
Share of result for period	**88**	99
Distribution received	**(82)**	(104)
Effect of movement in foreign exchange	**123**	(220)
Deemed disposal of associate interest	**(1,816)**	-
Investment in associate as at 31 December	**-**	1,687

10. Employee benefits

The Group and Company operate one defined benefit scheme in the UK which offers both pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement and their length of service. Since 1 October 2001 the scheme has been closed to new members.

From 31 December 2005 future accrual of benefits for existing members of the scheme ceased.

Contributions to the plan for the year from the Company were £55,000 per month, a rate agreed with the Company and the Trustees following the triennial review in April 2008 to apply from January 2009 until June 2016.

The Company has opted to recognise all actuarial gains and losses immediately in Other Comprehensive Income. An actuarial valuation of the scheme was carried out as at 5 April 2008 and the results have been updated to 31 December 2010 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms) as follows:

	As at	As at	As at

	31 December 2010	31 December 2009	31 December 2008
Discount rate	**5.30%**	5.70%	6.30%
Expected return on plan assets	**6.21%**	6.72%	5.76%
Rate of salary increase	**n/a**	n/a	n/a
Rate of increase to pensions in payment	**3.70%**	3.90%	3.00%
Rate of inflation	**3.20%**	3.70%	3.10%
Mortality assumption	**PCA00 MC**	PCA00 MC	PCA00 MC
Life expectancy from age 65 of current male pensioners	**21.7 years**	21.7 years	21.6 years
Commutation assumption	75% of members take maximum cash	75% of members take maximum cash	75% of members take maximum cash

The mortality tables used above are those published by the Institute and Faculty of Actuaries, with allowance for improvements in member longevity in line with "Medium Cohort" projections, based on members' year of birth. These adjusted rates suggest that a man aged 65 retiring at 31 December 2010 could expect to live, on average, until age 87. A 5% change in life expectancy from the age of 65 would increase/decrease the pension scheme's IAS 19 liability by approximately £0.6m (£0.4m after deferred tax), all other things being equal.

The overall expected return on assets assumption of 6.21% as at 31 December 2010 has been derived by calculating the weighted average of the expected rate of return for each asset class. The following approach has been used to determine the expected rate of return for each asset class:

- Equities - allowance for an additional return of 3.25% above that available on UK government securities;
- Fixed interest securities - current market yields
- Cash - based on the Bank of England base rate.

	Year ended 31 December 2010		Year ended 31 December 2009		Year ended 31 December 2008	
Present value of scheme assets:	**Long term rate of return expected**	**Market value £000**	Long term rate of return expected	Market value £000	Long term rate or return expected	Market value £000
Equities	**7.3%**	**13,624**	7.8%	12,069	7.0%	9,298
Bonds	**4.0%**	**3,262**	4.5%	3,443	3.8%	3,154
Other	**0.5%**	**1,198**	0.5%	750	2.0%	1,417
insured pensioners		**172**		166		-
		18,256		16,428		13,869

Present value of defined obligation:		
Funded plans	**23,215**	22,211
Total	**23,215**	22,211
Deficit in the scheme	**(4,959)**	(5,783)
Related deferred tax asset	**1,389**	1,619
Net pension liability	**(3,570)**	(4,164)
Reconciliation of opening and closing balances of the present value of the defined benefit obligation:		
Benefit obligation at beginning of year	**22,211**	**17,396**
Interest cost	**1,244**	**1,065**
Actuarial losses	**529**	**4,538**
Benefits and expenses paid	**(769)**	**(983)**
Past service costs	**-**	**29**
Inclusion of reserve for insured pensioners as at 31 December	**-**	**166**
Benefit obligation at end of year	**23,215**	**22,211**
Reconciliation of opening and closing balances of the fair value of plan assets:		
Fair value of plan assets at beginning of year	**16,428**	13,869
Expected return on plan assets	**1,100**	792
Actuarial gains	**837**	1,840
Contributions by employer	**660**	744
Benefits and expenses paid	**(769)**	(983)
Inclusion of reserve for insured pensioners as at 31 December	**-**	166
Fair value of plan assets at end of year	**18,256**	16,428
The amounts recognised in the Income Statement are:		
Interest on obligation	**1,244**	1,065
Expected return on plan assets	**(1,100)**	(792)
Past service cost	**-**	29
Total expense	**144**	**302**

The expense/(income) is recognised in the following line items in the Income Statement:

	Group and Company	
	2010 £000	2009 £000
Cost of sales	**-**	29
Financial income	**(1,100)**	(792)
Finance costs	**1,244**	1,065

Actuarial gains/(losses) shown in Other Comprehensive Income since 1 January 2006:

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Balance as at 1 January	**(2,567)**	131	1,789	648	222
Actuarial gains/(losses)	**308**	(2,698)	(1,658)	1,141	426
Balance as at 31 December	**(2,259)**	(2,567)	131	1,789	648

History of scheme assets, obligations and experience adjustments

	As at **31 December 2010 £000**	As at 31 December 2009 £000	As at 31 December 2008 £000	As at 31 December 2007 £000	As at 31 December 2006 £000
Present value of defined benefit obligation	**23,215**	22,211	17,396	19,707	20,101
Fair value of scheme assets	**18,256**	16,428	13,869	17,242	15,861
Deficit in the scheme	**(4,959)**	(5,783)	(3,527)	(2,465)	(4,240)
Experience adjustments arising on scheme liabilities	**529**	4,538	(2,752)	(875)	233
Experience item as a percentage of scheme liabilities	**2%**	20%	(16)%	(4)%	1%
Experience adjustments arising on scheme assets	**837**	1,840	(4,410)	266	659
Experience item as a percentage of scheme assets	**5%**	11%	(32)%	2%	4%

Other pension schemes

On 1 January 2006 a separate stakeholder scheme was set up for those employees who were originally in the closed defined benefit scheme. The contributions paid by the Company in 2010 were £404,000 (2009: £450,000).

In addition to this scheme, Zotefoams plc operates a stakeholder scheme which is open to employees who joined after 1 October 2001. The contributions paid by the Company in 2010 were £96,000 (2009: £80,000).

For US based employees Zotefoams Inc. operates a 401(k) plan. MuCell Extrusion LLC does not operate a pension plan. The contributions paid by Zotefoams Inc. in 2010 were $76,000 (2009: $73,000).

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