Tuesday 6 March 2012

ZOTEFOAMS plc

Preliminary Results for the Year Ended 31 December 2011

Continued sales and profit growth

Zotefoams plc ("Zotefoams", or "the Group" or "the Company"), the world leader in cellular material technology, today announces its preliminary results for the 12 months ended 31 December 2011.

HIGHLIGHTS

2011

- Profit before tax and exceptional items up 16% to £5.47m (2010: £4.70m)
- Basic earnings per share excluding exceptional items up 16% to 11.8p (2010: 10.2p) [1]
- Revenue up 11% to £44.21m (2010: £39.88m)
- Ownership of MuCell Extrusion LLC ("MEL") increased to 100%
- Successful placement of 1.5m shares (additional 4% of share capital) at 150p per share in March 2011
- Net cash of £1.92 million (31/12/10: £1.86m) [2]
- 5% increase in proposed final dividend to 3.30p per share (2010: 3.15p)[3]

2012

- Strong order book: HPP ("High-Performance Polymers") orders already in excess of 2011 HPP sales
- Capital expansion plan announced to support anticipated volume growth

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

I am pleased to report our 2011 profit before tax increased by 16% to £5.47m (2010: £4.70m excluding exceptional items), which means that this profit measure has doubled in the last five years, equating to a compound annual growth rate of 15%. Moreover, we have achieved this whilst maintaining a strong balance sheet, with net funds of £1.92m at the end of 2011 (2010: net funds of £1.86m). We begin 2012 with a strong order book for both Azote® polyolefin foams and our portfolio of HPP products. Following on from a record sales year in 2011, orders for Azote® foams for the first quarter are well ahead of the comparable period last year. The outlook for our HPP foams is even more promising with confirmed orders for 2012 already ahead of HPP sales in 2011. We are of course influenced by global economic factors as well as the uncertainty associated with developing new products and markets. However, we enter 2012 with an exceptionally strong order book, a robust cash position, and the benefits of our considerable investments made in people and products in recent years. The Board is therefore very confident about the prospects for our business and expects 2012 to be another year of further progress.

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[1] Basic earnings per share including exceptional items is 11.8p (2010: 11.8p)
[2] Net cash is defined as cash less bank overdrafts and other bank borrowings
[3] Per 5.0p ordinary share

Chairman's Statement

Results

I am pleased to report our 2011 profit before tax increased by 16% to £5.47m (2010: £4.70m excluding exceptional items), which means that this profit measure has doubled in the last five years, equating to a compound annual growth rate of 15%. Moreover, we have achieved this whilst maintaining a strong balance sheet, with net funds of £1.92m at the end of 2011 (2010: net funds of £1.86m). Sales increased by 11% to £44.21m (2010: £39.88m) including a full year's contribution from MuCell Extrusion LLC ("MEL") which was consolidated from 1 July 2010. Like for like sales, excluding MEL, increased by 9% driven by strong volume growth in North America and Europe

Strategy and Objectives

We are committed to building on our position as a market-leading foam technology company. Our strategy is to expand through a combination of profitable organic growth and partnerships or acquisitions in related technologies, products or markets for the benefit of all our stakeholders.

Our objectives include achieving sales growth in our core polyolefin business exceeding twice the average rate of increase in GDP and at the same time developing a portfolio of high performance polymers to deliver enhanced margins. We intend this growth to deliver improvement in operating margins and improvement in return on capital employed.

To achieve these objectives we continue to introduce new and unique foam products from high-performance polymers ("HPP") which offer significant advantages in demanding applications. As part of this strategy in 2011 we acquired full ownership of MEL, the world-leading licensing company in microcellular foaming technology for plastic extrusion.

Dividend

Although the Company is entering a year of increased capital expenditure to expand capacity, the Board proposes an increase in the Company's final dividend to 3.30p per ordinary share (2010: 3.15p) which would make a total of 4.90p per ordinary share for the year (2010: 4.65p), an increase of 5.4%. At this level, the dividend would be covered 2.3 times by post-tax earnings. If approved, the dividend will be paid on 23 May 2012 to shareholders on the register at the close of business on 27 April 2012.

People

I am pleased to welcome the employees of MEL into the Group and, on behalf of the Board, would like to thank all of our employees whose talent, dedication and effort have made 2011 such a successful year.

Board

Our Board composition provides a balance of experience and independence, all aligned to our business needs and objectives. Effective from 1 July 2011, we appointed two additional independent non-executive directors: Marie-Louise Clayton and Alex Walker.

Marie-Louise Clayton was previously a non-executive director and Chair of the Audit Committee at Forth Ports plc and is currently a non-executive director of Geoffrey Osborne Ltd. She was Group Finance Director of Venture Production plc, a FTSE 250 company in the oil and gas sector and has held senior positions in Alstom and GEC.

Alex Walker is currently Chairman of Spirent Communications plc and prior to that was Chief Executive of Yule Catto & Co plc where he spent most of his career. He has also been a non-executive director of Rotork plc and Chair of the Remuneration Committees at both Spirent Communications plc and Rotork plc.

Marie-Louise is a Fellow of the Association of Chartered Certified Accountants and has now replaced Roger Lawson as Chair of the Audit Committee. Richard Clowes, who has been on the board for four years, replaces Roger Lawson as Senior Independent Non-Executive Director with effect from 5 March 2012. Roger will retire from the Board on 31 March 2012 having completed a nine year term and I would like to add my personal thanks to those of the Board to Roger for his invaluable contribution to the Company over that period.

To provide additional support to the Board James Kindell has joined us as Company Secretary. James is an experienced Company Secretary, a barrister and a member of the Institute of Chartered Secretaries and Administrators.

Outlook
We begin 2012 with a strong order book for both Azote® polyolefin foams and our portfolio of HPP products. Following on from a record sales year in 2011, orders for Azote® foams for the first quarter are well ahead of the comparable period last year. The outlook for our HPP foams is even more promising. Particularly pleasing at this time, is the forward visibility for ZOTEK® F fluoropolymer foams with confirmed orders for 2012 already ahead of total sales of all HPP products in 2011. Our largest customer for ZOTEK® F, supplying into the aviation industry, has also placed orders for 2013 which exceed those of 2012. The market development of T-Tubes® advanced insulation systems has also been very encouraging with orders from repeat, as well as new, customers and enquiries running at record levels. We believe that the newer products within our HPP portfolio have significant potential: ZOTEK® N nylon foams, microZOTE® roll foams and Pebaxfoam® will all accelerate their market acceptance in 2012. Although development timelines for all HPP products are long and assessing the outcome can be uncertain, we are pleased that the current 2012 order book already comfortably exceeds sales made in 2011.

MEL has begun the year with high levels of interest from potential licensees, in particular from manufacturers of film and high-density flat sheet, and we are increasing staff levels to support this activity. The MuCell® brand is now well known in many fields of plastic extrusion, representing deliverable, raw material savings from a clean and environmentally friendly process. MEL's patent portfolio is growing strongly from a combination of internal developments and licensing of external patents in specific areas.

Following the weaker polymer prices experienced in late 2011, prices for LDPE, our main raw material, have increased recently towards the levels seen in the first half of 2011. Currency rates now are not materially different from last year's average rates. However, energy prices have risen significantly since 2011 and we continue to work to improve our energy efficiency to mitigate the impact of increased prices. Energy costs in 2011 were 4% of sales.

The Zotefoams' businesses are performing well and we are looking to continue our record of investing for the future. We are now at the latter stages of assessment of the viability of a foam-expansion facility in Asia, either directly or as a joint venture. To support the opportunities evident across our business, 2012 will also see a significant increase in capital expenditure, to approximately £7m, to restructure our Croydon site, adding a new factory building and investing in extrusion capacity which is expected to be operational during 2012.

Zotefoams is an international business, operating across a wide variety of industries and serving many end-use markets with a growing variety of speciality products and solutions. We are of course influenced by global economic factors as well as the uncertainty associated with developing new products and markets. However, we enter 2012 with an exceptionally strong order book, a robust cash position, and the benefits of our considerable investments made in people and products in recent years. The Board is therefore very confident about the prospects for our business and expects 2012 to be another year of further progress.

Nigel Howard

Business Review

Zotefoams is the world leader in cellular material technology. Using a unique manufacturing process with environmentally friendly nitrogen expansion, Zotefoams produces light weight foams in Croydon, UK and Kentucky, USA for diverse markets worldwide through its global sales force. Zotefoams also owns and licenses patented MuCell® microcellular foam technology from a base in Massachusetts, USA to customers worldwide and sells T-Tubes® advanced insulation systems made from its patented ZOTEK® fluoropolymer foams.

Business overview
Zotefoams is a business built around foam technology. During 2011 we sold directly to customers in 42 countries and we supply to industries as diverse as semi-conductor manufacturing, beauty products, football boot manufacturers and aircraft makers. We consistently invest in research and development and spend a significant amount of time and money in commercial support of new materials that we believe will provide accelerated growth for our business in the future. On 30 March 2011 the Group acquired the remaining interest in MuCell Extrusion LLC ("MEL") that it did not own, securing 100% ownership of a business whose patented technology delivers material and cost savings to licensees using an environmentally friendly system.

In 2011 sales increased by 11% to £44.21m (2010: £39.88m). Sales of Azote® polyolefin foams increased by 10%, with higher growth rates experienced in some of our more established markets in Western Europe. North America also performed well, with 11% growth in constant currency. In Asia, which represents 6% of Group turnover, sales declined by 21% in constant currency (excluding MEL), following a 79% increase in 2010, partly as a result of the disruption caused by the tsunami in Japan. Sales of High-Performance Polymer ("HPP") products, measured in constant currency, were at a similar level to last year consolidating the 51% growth delivered in 2010. Turnover from MEL, whose primary business is the licensing of technology for foaming using extrusion processes, was £1.33m (2010: £0.61m) with a strong performance from licence and royalty fees while lower-margin equipment sales declined compared to 2010.

Zotefoams' block foam products are manufactured by a unique production process which uses environmentally friendly nitrogen gas to foam plastics. Operating at pressures up to 670 bar (a typical car tyre is 2 bar pressure) and temperatures up to 250°C, nitrogen gas is first dissolved in a plastic slab. The internal pressure of the gas is then utilized to expand the slab into a sheet of foam, either in our Croydon, UK facility or at our factory in Kentucky, USA. Our production process was developed internally and has been enhanced in scope and scale over many years of development and investment, resulting in a flexible proprietary technology with high barriers to entry.

Azote® polyolefin foams, currently over 90% of sales, are very versatile. To the basic insulation, buoyancy, impact protection and cushioning properties of polyolefin foams, our Azote® materials additionally offer consistency, purity, performance at light weight and durability which are valued across many applications. Foam blocks are often processed by cutting, welding, moulding or routing into finished or semi-finished parts and Zotefoams offers a wide range of sizes, base polymers, foam density, colours and specialty materials such as fire retarding additives to meet specific customer needs. Most of our polyolefin foams are made with LDPE or, to a lesser extent, EVA, both of which are commodity polymers. During late 2010 and the first half of 2011 we experienced rising prices along with interruptions in supply of these bulk polymers as well as difficulty sourcing some specialty additives. These disruptions reduced our productive capacity and increased operating costs and lead times to our customers. In 2011 we experienced strong sales demand from most countries in Western Europe and North America, driven mainly by industrial markets such as automotive and performance packaging. Demand from UK, France and USA was particularly strong while longer lead times affected some development projects in Asia and other emerging markets resulting in a fall in sales despite high levels of interest in our products. Supply conditions eased in the latter part of 2011 and the average price of LDPE for 2011 as a whole was 13% higher than in 2010. During the year we increased sales prices and devoted a significant amount of management time and effort to manage these operational issues. Operating margins for our Azote ® business increased to 15.4% (2010:14.4%) as higher raw material costs were offset by price increases and the benefits of the higher level of sales. Operating profit for this segment rose to £6.25m (2010: £5.29m).

Our HPP block foams have been developed to offer unique attributes over and above the core Azote® range: inherently non-flammable, high-temperature stability, specific chemical resistance or high-levels of energy preservation are some of the selling points of our ZOTEK® and Pebaxfoam® materials. These products are truly unique, targeted at some of the most demanding and technical applications. The fire and chemical resistance of ZOTEK® F fluoropolymer foam is critical in the performance of T-Tubes®, sold by Zotefoams for insulation in clean-room processes such as biotech and semi-conductor manufacturing. This fire resistance combined with light weight makes our ZOTEK® F of great interest to the aviation industry, currently the largest market for our HPP foams. Other products in this segment include ZOTEK® N nylon foams and microZOTE® products, made using the patented MuCell® CO2 foaming process, both of which are making promising progress from low levels of sales.

In 2010 HPP sales included completion of a large project with the European Space Agency for packaging materials for the international space station. In 2011 the underlying growth on our HPP business, excluding this project, was driven by applications with longer term repeat potential. Currently most HPP sales are to the aviation industry and indications from this market are positive following a relatively flat 2011, reflecting the timing of adoption of specific parts and launch plans of new aircraft models. HPP products are aimed at markets where performance is critical and therefore development lead times are long, with the upside of stability of sales for many years where a part meets these demanding criteria. The timing of initial revenue generation from these types of development is inherently difficult to predict, however we do have significantly more visibility with existing business and this is reflected in our current order book, which is already in excess of the 2011 HPP sales value. Our nylon foams typify the significant potential from these materials, with many exciting opportunities under evaluation, none of which are generating more than developmental-scale revenues at the moment. Gross margins from products which are commercially available are approximately twice the margins compared to our polyolefin business, although overall the HPP segment posted an operating loss of £707,000 (2010: operating loss of £427,000) as commercial costs significantly exceed revenues at this time, with expenditure reflecting our assessment of the prospects for this segment. Expenditure on research and development, which is primarily related to our HPP segment, was £897,000 (2010: £875,000).

Zotefoams' ownership of MEL allows us to invest in the accelerated growth of this business. We have now completed the process of moving from MEL's previous premises and operate from a new site in Massachusetts, USA. The business strategy, of licensing technology for microcellular foam extrusion, is being complemented by involving strategic partners for certain types of extrusion and the licensing in of key patents to broaden the scope of our activity. MEL licensees are often targeting relatively small reductions in polymer content, creating 'foams' with microcellular bubbles, which will reduce costs by 10-30% and improve their environmental footprint. Other licensees are interested in creating fully recyclable, light-density foams using environmentally friendly naturally occurring gases. A MEL licensee will typically purchase equipment which can often be fitted to existing process machinery and sign a licence sharing the benefits gained through a licence fee and a royalty percentage. Although MEL can be involved in the equipment sale its real expertise is in applying its know-how, both patented and trade craft, and in working closely with the customer to apply the technology and create a successful product. This stage can take many iterations before a commercial licence is signed. Licence fees often begin as a small value payment, to allow licensee companies to scale-up their processes, and can take many years to reach maturity as the new product reaches the market. MEL's success depends on converting customer interest to trials and to commercially launched products using our technology. As our licence portfolio grows we become more able to help customers to move quickly to commercialisation. Recurring revenue from licence fees and royalty are the core of our business and we are investing in people to increase the number of projects we can manage simultaneously and to widen the scope of our ability to deliver. In 2011 reported sales increased to £1.33m (2010: £0.61m) as we consolidated 100% of MEL results for period from 1 July 2010. Like-for-like licence fees and royalties, which represented 73% of sales in 2011, increased by19% while lower margin equipment and engineering revenues fell linked to the timing and type of project starts.

In 2011 Group capital expenditure was £2.74m (2010: £2.67m), the majority of which was at our Croydon site in relation to our Azote® polyolefin foams business. Modifications to improve the flexibility of our new low pressure expansion vessel pushed some planned capital expenditure into 2012 and this vessel will now begin commissioning in the first quarter of this year. 2012 will therefore see a significant increase in capital expenditure to approximately £7.0m on our Croydon site as we complete this project, add a new factory building and invest in extrusion capacity to support future growth, including the ability to support an investment in production capacity in Asia which is currently under consideration.

Strategy and objectives

Zotefoams' strategy is to grow its existing business in polyolefin foams while developing a portfolio of high-performance polymers. In 2011 we had a record sales year, grew operating profit by 16% and ended the year with a positive cash balance while continuing to invest both capital and revenue in areas which we believe will further increase the long term future prospects of our business. Our specifically stated objectives are:

1. Sales growth in our polyolefin business to exceed twice the average rate of GDP growth.
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 of polyolefin foams grew by 10% clearly exceeding twice average GDP growth in the countries in which we operate.
2. HPP sales were relatively flat measured at constant currency. Underlying sales, excluding the major project completed in 2010, grew strongly and at the time of writing this report we have sales orders which exceed 2011 sales. Gross margins on HPP products which are commercially launched are approximately twice the levels achieved in the polyolefin business.
3. Group operating margins, excluding exceptional items, increased to 12.6% (2010: 12.1%).
4. Pre-tax return on average capital employed, excluding exceptional items, was 15.6% (2010: 15.0%) following the acquisition of MEL. MEL is currently below that level but we recognise that MEL is a growth business at early stages of development and may take some time to reach target levels of return against the acquisition cost. However, the MEL business is highly cash generative and has a very good growth potential. We therefore expect this acquisition will increase our operating margins and return on capital employed in due course.

In 2012 we intend to focus on the same four key objectives in our business, although it is inevitable that the high levels of capital expenditure planned will reduce return on capital employed until these assets can reach an appropriate level of utilisation.

Financial Results

Group turnover increased by 11% from £39.88m to £44.21m in 2011. On a like-for-like basis excluding MEL turnover grew by 9% reflecting strong volume growth in developed markets. The average price of low density polyethylene, our largest raw material, increased by 13%: from £1,068 per tonne in 2010 to £1,203 per tonne in 2011. This was offset by sales price increases and the operational gearing benefit of the additional sales volumes so that like-for-like gross margin remained constant at 29%. Underlying distribution costs and administrative expenses excluding MEL increased by 7% to support the sales growth and investment in HPP. Profit before tax and exceptional items increased by 16% from £4.70m to £5.47m. Profit before tax after exceptional items was £5.47m (2010: £5.32m).

The effective tax charge is 17%, (2010: 21% pre-exceptional items) which is lower than the UK corporation tax rate in the period of 26.5%. 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 21% (2010: 24% pre-exceptional items) because of a deferred tax credit of £0.22m (2010: £0.15m) reflecting the difference in timing between tax allowances and accounting charges.

MEL

On 30 March 2011 we purchased the remaining 70% shareholding in MEL that we did not already own together with further patent rights for a total cash consideration of $7.50m. $4.00m of this sum was paid at the time of acquisition, $2.00m in January 2012 and the remaining payment of $1.50m is payable on or before 30 July 2012. The former owner of these shares has been granted security over all of the intellectual property of MEL until the deferred consideration is settled. This price represents a reduction of $2.38m from the original option price offset by an additional $0.50m for the acquisition of further patents. The acquisition of those patents has been accounted for separate to the business combination as a 2011 capital investment.

The reduction in consideration of $2.38m, which has a cash benefit to the Group, has resulted in a non-cash prior period adjustment to the goodwill associated with the deemed acquisition of MEL, the non-controlling interest and the exceptional (non-cash) profit arising from the deemed disposal of the associate interest in MEL on 1 July 2010, as reflected in the Company's accounts for the 12 months ended 31 December 2010.

As indicated in its acquisition announcement on 31 March 2011 the reduction in consideration has led the Board to review the accounting for the acquisition and, in particular, whether an adjustment is required. The Board has concluded that this purchase provides new information about the acquisition date fair values that formed part of the original acquisition accounting. Consequently the Board has applied an adjustment in preparing these financial statements and has restated the 2010 comparative results to reflect this change. The impact of this adjustment is to reduce the goodwill previously recognised from £3.60m to £2.01m, reduce the non-controlling interest previously recognised from £5.38m to £4.27m and reduce the exceptional profit previously recognised from £1.10m to £0.62m. £0.06m of legal and other external costs were incurred on the acquisition and these have been taken as a one-off cost in the Income Statement.

Earnings Per Share and Dividend

Group earnings per share were 11.8p (2010: 10.2p before and 11.8p after exceptional items). The Directors are recommending an increased final dividend of 3.30p per share, and, subject to shareholder approval, payable on 23 May 2012 to shareholders on the Company register at 27 April 2012. This would bring the total dividend to 4.90p per ordinary share for the year (2010: 4.65p).

Cash Flow

Earnings before interest, tax, depreciation and amortisation (EBITDA) and exceptional items were £8.80m (2010: £8.09m) reflecting the higher operating profit. Cash generated from operations at £6.08m (2010: £7.23m) was lower than last year due to increased working capital reflecting the 2011 sales growth and a planned build-up in inventories to meet demand in early 2012. Capital expenditure of £2.74m (2010: £2.67m) was similar to last year. On 30 March 2011, the Group acquired the remaining shares of MEL that it did not already own and additional patents at an initial cost of £2.49 million. This was largely funded by a placing of 1.53 million shares representing c.4% of the share capital of Zotefoams plc which raised net proceeds of £2.23 million. After tax payments of £1.05m and the payment of dividends of £1.84m the Group was left with net funds of £1.92m, a similar level to 2010 (net funds of £1.86m).

Pensions

There was minimal change in the gross IAS19 deficit on the Company's Defined Benefit Pension Scheme (the "Scheme") of £4.94m (2010: £4.96m). The principal movements were a lower than expected return on assets offset by a £1.14m reduction in liabilities due to a change in inflation measures from RPI to CPI for revaluing deferred pensions. Company contributions to the Scheme in 2011 were £0.66m as agreed by the Company and the Trustees following the 2008 triennial review to reduce the deficit. This is being reviewed following the April 2011 triennial review.

David Stirling
Managing Director

Clifford Hurst
Finance Director

5 March 2012

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

Responsibility statement of the directors in respect of the annual financial report

The responsibility statement below has been prepared in connection with the Company's full Annual Report for the year ending 31 December 2011. Certain parts thereof are not included within this announcement.

"We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the Business and financial review, which is incorporated into the Report of the directors, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face."

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2011

		2011	Pre-exceptional items 2010	Exceptional items Restated (see Note 3) 2010	Total Restated (see Note 3) 2010
	Note	**£000**	£000	£000	£000
Revenue	2	**44,208**	39,879	—	39,879
Cost of sales		**(31,624)**	(28,430)	—	(28,430)
Gross profit		**12,584**	11,449	—	11,449
Distribution costs		**(3,114)**	(3,220)	—	(3,220)
Administrative expenses		**(3,880)**	(3,403)	—	(3,403)
Operating profit		**5,590**	4,826	—	4,826
Financial income	4	**1,135**	1,116	—	1,116
Finance costs	4	**(1,260)**	(1,329)	—	(1,329)
Deemed disposal of associate interest		**—**	—	623	623
Share of profit from associate		**—**	88	—	88
Profit before		**5,465**	4,701	623	5,324

tax					
Taxation	5	**(911)**	(995)	—	(995)
Profit for the year		**4,554**	3,706	623	4,329
Attributable to:					
Equity holders of the parent		**4,497**	3,729	623	4,352
Non-controlling interest		**57**	(23)	—	(23)
		4,554	3,706	623	4,329
Earnings per share					
Basic (p)	6	**11.8**			11.8
Diluted (p)	6	**11.5**			11.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

	2011 £000	Restated (See Note 3) 2010 £000
Profit for the year	**4,554**	4,329
Other comprehensive income		
Foreign exchange translation differences on investment in foreign subsidiary/associate	**(10)**	(402)
Effective portion of changes in fair value of cash flow hedges net of recycling	**18**	(33)
Actuarial (losses)/gains on defined benefit schemes	**(1,705)**	308
Effect of revaluation of defined benefit scheme under CPI	**1,140**	-
Tax relating to effective portion of changes in fair value of cash flow hedges net of recycling	**(4)**	9
Tax relating to actuarial (losses)/gains on defined benefit schemes	**426**	(86)
Tax relating to effect of revaluation of defined benefit scheme under CPI	**(285)**	-
Other comprehensive income/(expenditure) for the period, net of tax	**(420)**	(204)
Total comprehensive income for the year	**4,134**	4,125
Attributable to:		
Equity holders of the parent	**4,018**	4,369
Non-controlling interest	**116**	(244)
Total comprehensive income for the year	**4,134**	4,125

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2011

	Note	2011 £000	Restated (See Note 3) 2010 £000
Non-current assets			
Property, plant and equipment		**25,433**	25,597
Intangible assets		**5,729**	5,585
Deferred tax assets		**490**	352
Total non-current assets		**31,652**	31,534
Current assets			
Inventories		**5,927**	4,134
Trade and other receivables		**10,533**	9,463
Cash and cash equivalents		**3,403**	4,716
Total current assets		**19,863**	18,313
Total assets		**51,515**	49,847
Current liabilities			
Interest-bearing loans and borrowings		**(660)**	(660)
Bank overdraft		**—**	(711)
Tax payable		**(787)**	(709)
Trade and other payables		**(7,887)**	(4,989)
Total current liabilities		**(9,334)**	(7,069)
Non-current liabilities			
Interest-bearing loans and borrowings		**(820)**	(1,488)
Employee benefits	7	**(4,944)**	(4,959)
Deferred tax liabilities		**(1,165)**	(1,317)
Total non-current liabilities		**(6,929)**	(7,764)
Total liabilities		**(16,263)**	(14,833)
Total net assets		**35,252**	35,014

Equity

Issued share capital	**1,992**	1,915
Own shares held	**(58)**	(69)
Share premium	**16,090**	13,941
Capital redemption reserve	**15**	15
Translation reserve	**790**	859
Hedging reserve	**(51)**	(69)
Retained earnings	**16,474**	14,155
Total equity attributable to the equity holders of the parent	**35,252**	30,747
Non-controlling interest	**-**	4,267
Total equity	**35,252**	35,014

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

	2011	Restated (see Note 3) 2010
	£000	£000
Cash flows from operating activities		
Profit for the year	**4,554**	4,329
Adjustments for:		
Depreciation, amortisation and impairment	**3,213**	3,260
Gain on deemed sale of interest in MuCell Extrusion LLC	**—**	(623)
Loss on sale of plant and equipment	**—**	10
Financial income	**(1,135)**	(1,116)
Finance costs	**1,260**	1,329
Share of income from associate	**—**	(88)
Equity-settled share-based payments	**125**	170
Taxation	**911**	995
Operating profit before changes in working capital and provisions	**8,928**	8,266
Increase in trade and other receivables	**(1,040)**	(1,314)
(Increase)/decrease in inventories	**(1,778)**	312
Increase in trade and other payables	**634**	622
Employee benefit contributions	**(660)**	(660)
Cash generated from operations	**6,084**	7,226
Interest paid	**(52)**	(83)
Tax paid	**(1,053)**	(986)
Net cash from operating activities	**4,979**	6,157
Interest received	**5**	16
Acquisition of MuCell	**(2,179)**	—
Acquisition of MuCell patents	**(311)**	—
Cash deemed to have been acquired	**—**	332
Proceeds from disposal of plant and equipment	**—**	12
Acquisition of property, plant and equipment	**(2,744)**	(2,668)
Distribution from associate	**—**	82
Net cash used in investing activities	**(5,229)**	(2,226)
Proceeds from issue of share capital	**2,376**	430
Repurchase of own shares	**(114)**	(334)
Repayment of borrowings	**(660)**	(660)
Distribution by subsidiary to non-controlling interest	**(25)**	(134)
Dividends paid	**(1,835)**	(1,653)
Net cash used in financing activities	**(258)**	(2,351)
Net (decrease)/increase in cash and cash equivalents	**(508)**	1,580
Cash and cash equivalents at 1 January	**4,005**	2,364
Effect of exchange rate fluctuations on cash held	**(94)**	61
Cash and cash equivalents at 31 December	**3,403**	4,005

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

for the year ended 31 December 2011

	Note	Share capital £000	Own shares held £000	Share premium £000	Capital redemption reserve £000	Translation reserve £000	Hedging reserve £000	Retained earnings £000	Attributable to owners of the Parent £000	Non-controlling interest £000	Total Equity £000
Balance at 1 January 2010		1,915	(95)	13,941	15	1,040	(36)	10,902	27,682	—	27,682
Profit for year		—	—	—	—	—	—	4,827	4,827	(23)	4,804
Other comprehensive income:											

Foreign exchange translation differences on investment in foreign subsidiary/associate		—	—	—	—	(181)	—	—	(181)	(221)	(402)
Effective portion of changes in fair value of cash flow hedges net of recycling		—	—	—	—	—	(33)	—	(33)	—	(33)
Actuarial gains on defined benefit scheme		—	—	—	—	—	—	308	308	—	308
Tax relating to effective portion of changes in fair value of cash flow hedges net of recycling		—	—	—	—	—	—	9	9	—	9
Tax relating to actuarial gains on defined benefit scheme		—	—	—	—	—	—	(86)	(86)	—	(86)
Total other comprehensive (expenditure)/income		—	—	—	—	(181)	(33)	231	17	(221)	(204)
Total comprehensive (expenditure)/income for the year		**—**	**—**	**—**	**—**	**(181)**	**(33)**	**5,058**	**4,844**	**(244)**	**4,600**
Transactions with owners of the Parent											
Non-controlling interest on deemed acquisition		—	—	—	—	—	—	—	—	5,753	5,753
Shares issued/options exercised		—	39	—	—	—	—	391	430	—	430
Shares acquired		—	(13)	—	—	—	—	(321)	(334)	—	(334)
Equity-settled share-based payment transactions net of tax		—	—	—	—	—	—	253	253	—	253
Dividends	8	—	—	—	—	—	—	(1,653)	(1,653)	(134)	(1,787)
Total transactions with owners of the Parent		**—**	**26**	**—**	**—**	**—**	**—**	**(1,330)**	**(1,304)**	**5,619**	**4,315**
Balance at 31 December 2010 – as originally reported		**1,915**	**(69)**	**13,941**	**15**	**859**	**(69)**	**14,630**	**31,222**	**5,375**	**36,597**
Restatement (see Note 3)		**—**	**—**	**—**	**—**	**—**	**—**	**(475)**	**(475)**	**(1,108)**	**(1,583)**
Balance at 31 December 2010 and 1 January 2011 restated		**1,915**	**(69)**	**13,941**	**15**	**859**	**(69)**	**14,155**	**30,747**	**4,267**	**35,014**
Profit for year		—	—	—	—	—	—	4,497	4,497	57	4,554
Other comprehensive income:											
Foreign exchange translation differences on investment in foreign subsidiary/associate		—	—	—	—	(69)	—	—	(69)	59	(10)
Effective portion of changes in fair value of cash flow hedges net of recycling		—	—	—	—	—	18	—	18	—	18
Actuarial losses on defined benefit scheme		—	—	—	—	—	—	(1,705)	(1,705)	—	(1,705)
Effect of revaluation of defined benefit scheme under CPI		—	—	—	—	—	—	1,140	1,140	—	1,140

Tax relating to effective portion of changes in fair value of cash flow hedges net of recycling		—	—	—	—	—	—	(4)	(4)	—	(4)
Tax relating to actuarial losses on defined benefit scheme		—	—	—	—	—	—	426	426	—	426
Tax relating to effect of revaluation of defined benefit scheme under CPI		—	—	—	—	—	—	(285)	(285)	—	(285)
Total other comprehensive (expenditure)/ income		—	—	—	—	(69)	18	(428)	(479)	59	(420)
Total comprehensive (expenditure)/ income for the year		**—**	**—**	**—**	**—**	**(69)**	**18**	**4,069**	**4,018**	**116**	**4,134**
Transactions with owners of the Parent											
Shares issued/options exercised		77	15	2,149	—	—	—	135	2,376	—	2,376
Shares acquired		—	(4)	—	—	—	—	(110)	(114)	—	(114)
Equity-settled share-based payment transactions net of tax		—	—	—	—	—	—	60	60	—	60
Acquisition of non-controlling interest		—	—	—	—	—	—	—	—	(4,358)	(4,358)
Dividends	8	—	—	—	—	—	—	(1,835)	(1,835)	(25)	(1,860)
Total transactions with owners of the Parent		**77**	**11**	**2,149**	**—**	**—**	**—**	**(1,750)**	**487**	**(4,383)**	**(3,896)**
Balance at 31 December 2011		**1,992**	**(58)**	**16,090**	**15**	**790**	**(51)**	**16,474**	**35,252**	**—**	**35,252**

The aggregate current and deferred tax relating to items that are credited to equity is £70,000 (2010: a credit of £10,000).

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 2011 or 2010 but is derived from those accounts. Statutory accounts for 2010 have been delivered to the Registrar of Companies, and those for 2011 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 licences 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 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 the 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.

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 and a $50,000 licence fee from MEL to microZOTE®, within our HPP segment.

	Polyolefins		HPP		MEL		Eliminations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000
Revenue	**40,498**	36,784	**2,413**	2,485	**1,329**	610	**(32)**	—	**44,208**	39,879
Segment profit/(loss)	**6,214**	5,285	**(707)**	(427)	**143**	(32)	—	—	**5,650**	4,826
Acquisition costs	—	—	—	—	—	—	—	—	**(60)**	—
Pre-exceptional operating profit	—	—	—	—	—	—	—	—	**5,590**	4,826
Exceptional items	—	—	—	—	—	—	—	—	—	623
Net financing costs	—	—	—	—	—	—	—	—	**(125)**	(213)
Profit from associate	—	—	—	—	—	88	—	—	—	88
Taxation	—	—	—	—	—	—	—	—	**(911)**	(995)
Profit for the year	—	—	—	—	—	—	—	—	**4,554**	4,329
Segment assets	**38,951**	38,580	**5,472**	4,746	**6,602**	6,169	—	—	**51,025**	49,495
Unallocated assets	—	—	—	—	—	—	—	—	**490**	352
Total assets									**51,515**	49,847
Segment liabilities	**(11,302)**	(12,626)	**(581)**	(111)	**(2,428)**	(70)	—	—	**(14,311)**	(12,807)
Unallocated liabilities	—	—	—	—	—	—	—	—	**(1,952)**	(2,026)
Total liabilities									**(16,263)**	(14,833)
Depreciation	**2,655**	2,868	**256**	235	**26**	8	—	—	**2,937**	3,111
Capital expenditure	**2,364**	1,952	**264**	711	**116**	5	—	—	**2,744**	2,668

Geographical segments

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

	United Kingdom £000	Europe £000	North America £000	Rest of the world £000	Total £000
For the year ended 31 December 2011					
Revenue from external customers	**9,185**	**21,288**	**10,886**	**2,849**	**44,208**
Non-current assets	**21,098**	—	**10,064**	—	**31,162**
Capital expenditure	**2,492**	—	**252**	—	**2,744**
For the year ended 31 December 2010					
Revenue from external customers	7,721	19,277	9,765	3,116	39,879
Non-current assets	21,048	—	10,134	—	31,182
Capital expenditure	2,572	—	96	—	2,668

Non-current assets do not include financial instruments, deferred tax assets or post-employment assets.

Major customer

Revenues from one customer of the Group represents approximately £5,843k (2010: £5,198k) of the Group's total revenues.

3. Exceptional Item and restatement

The Company classified the following as an exceptional item in 2010:

Acquisition of MuCell Extrusion LLC ("MEL")

From 2008 Zotefoams Inc. owned 30% of the ownership units of MEL and therefore accounted for this interest as an associate holding. From 1 July 2010 Zotefoams had an option to increase its shareholding in MEL and was deemed to have a controlling interest under IFRS3 (revised). MEL was therefore treated as a subsidiary from 1 July 2010 in the Zotefoams Group accounts and the associate interest was restated at fair value and disposed of.

The re-measurement to fair value on 1 July 2010 of the Group's existing 30% 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, was transferred to the Income Statement on the deemed disposal of the associate interest and was recognised in profit before tax in the Statement of Comprehensive Income as an exceptional Item.

This gain was then restated following a reassessment of the original business combination accounting due to the remaining 70% interest in MEL being actually acquired on 30 March 2011.

The impact of this adjustment is to reduce the previously recorded goodwill from £3.60 million to £2.01 million, reduce the previously recorded NCI recognised on acquisition from £5.38 million to £4.27 million and reduce total net assets from £36.60m to £35.01m. The adjustment also reduced the previously recorded exceptional profit from £1.10 million to £0.62 million, reduced profit for the year from £4.80m to £4.33m and reduced basic earnings per share from 13.1p to 11.8p and reduced diluted earnings per share from 12.8p to 11.5p. £0.06 million of legal and other costs were incurred on the acquisition of the NCI and these have been taken as a one-off cost in the Income Statement in 2011 and are included in Administrative Expenses.

Restatement of 2010 Consolidated Statement of Cash Flows

An additional restatement of the 2010 Consolidated Statement of Cash Flows was recognised to move the cash deemed to have been acquired with the subsidiary from financing activities to investing activities.

4. Finance income and costs

Financial income

	2011 £000	2010 £000
Interest on bank deposits	**5**	16
Expected return on assets of defined benefit pension fund	**1,130**	1,100
	1,135	1,116

Finance costs

	2011 £000	2010 £000
On bank loans and overdrafts	**50**	85
Interest on defined benefit pension obligation	**1,210**	1,244
	1,260	1,329

5. Taxation

	2011 £000	2010 £000
UK corporation tax	**1,153**	1,118
Overseas taxation	**37**	29
Adjustment to prior year UK tax charge	**(59)**	1
Current taxation	**1,131**	1,148
Deferred taxation	**(220)**	(153)
Total tax charge	**911**	995

Factors affecting the tax charge

The tax charge for the year is lower (2010: lower) than the standard rate of corporation tax in the UK of 26.5 % (2010: 28.0%). The differences are explained below:

	2011 £000	2010 £000
Tax reconciliation		
Profit before tax	**5,465**	5,324
Tax at 26.5% (2010: 28.0%)	**1,448**	1,491
Effects of:		
Deemed disposal of associate interest not liable for tax	**-**	(174)
Research and development tax credits and other allowances less expenses not deductible for tax purposes	**(155)**	(111)

Overseas earnings and effect of US tax losses	**(225)**	(212)
Change in deferred tax rate to 25%	**(98)**	-
Adjustments to UK corporation tax charge in respect of previous periods	**(59)**	1
Total tax charge	**911**	995

6. Dividends and earnings per share

	2011 £000	2010 £000
Final dividend prior year of 3.15p (2009: 3.0p) net per 5.0p ordinary share	**1,216**	1,100
Interim dividend of 1.6p (2010: 1.5p) net per 5.0p ordinary share	**619**	553
Dividends paid during the year	**1,835**	1,653

The proposed final dividend for the year ended 31 December 2011 of 3.30p per share (2010: 3.15p) is subject to approval by shareholders at the AGM and has not been recognised as a liability in these financial statements. The proposed dividend would amount to £1,314,000 if paid to all the shares in issue.

Earnings per ordinary share

Earnings per ordinary share is calculated by dividing profit after tax attributable to equity holders of the parent company of £4,497,000 (2010: £4,352,000) 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 2011 was 1,160,954 (2010: 1,389,861). 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.

	2011	2010
Average number of ordinary shares issued	**38,231,656**	36,727,932
Deemed issued for no consideration	**898,078**	982,816
Diluted number of ordinary shares issued	**39,129,734**	37,710,748

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 and the Deferred Bonus Plan:

Date from which exercisable	Exercise price	Number of shares under option 2011	2010
7 April 2007	72.5p	**59,631**	59,631
22 December 2008	77.0p	**115,909**	213,311
20 March 2011	nil	—	128,005
12 August 2011	106.7p	**145,266**	249,998
16 March 2012	nil	**363,311**	465,355
11 March 2013	nil	**20,368**	25,484
19 March 2013	nil	**188,184**	214,093
19 March 2013	95.0p	**47,367**	47,367
31 March 2014	nil	**164,013**	—
		1,104,049	1,403,244

The average fair value of one ordinary share during the year was considered to be 134.0p (2010: 123.5p)

7. 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 2011 and the results have been updated to 31 December 2011 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms) as follows:

	As at 31 December 2011	As at 31 December 2010	As at 31 December 2009
Discount rate	**4.90%**	5.30%	5.70%
Expected return on plan assets	**5.75%**	6.21%	6.72%
Rate of salary increase	**n/a**	n/a	n/a
Rate of increase to pensions in payment	**3.60%**	3.70%	3.90%
Rate of inflation	**2.00%**	3.20%	3.70%

Mortality assumption	**S1PA CMI**	PCA00 MC	PCA00 MC
Life expectancy from age 65 of current male pensioners	**21.9 years**	21.7 years	21.7 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 the "CMI model" with a long term improvement rate of 1.0% per annum. These rates suggest that a man aged 65 retiring at 31 December 2011 could expect to live, on average, until age 87. A 5% change in this life expectancy would increase the IAS19 liability by approximately £0.7m (£0.5m after deferred tax), all other things being equal.

The overall expected return on assets assumption of 5.75% as at 31 December 2011 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 4.50% above that available on UK government securities;
- Fixed interest securities – current market yields
- Cash - based on the Bank of England base rate.

Following the government announcement in July 2010 to change from RPI to CPI the Group has obtained legal advice during 2011 to resolve the uncertainties over the application of rate that were still remaining as at 31 December 2010. The Group is using CPI instead of RPI for certain groups within the scheme as at 31 December 2011 which has resulted in a gain in Other Comprehensive Income.

	Year ended 31 December 2011		Year ended 31 December 2010		Year ended 31 December 2009	
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	**7.0%**	**12,345**	7.3%	13,624	7.8%	12,069
Bonds	**3.6%**	**3,989**	4.0%	3,262	4.5%	3,443
Other	**0.5%**	**1,301**	0.5%	1,198	0.5%	750
Insured pensioners		**179**		172		166
		17,814		18,256		16,428

Present value of defined obligation:		
Funded plans	**22,758**	23,215
Total	**22,758**	23,215
Deficit in the scheme	**(4,944)**	(4,959)
Related deferred tax asset	**1,236**	1,389
Net pension liability	**(3,708)**	(3,570)
Reconciliation of opening and closing balances of the present value of the defined benefit obligation:		
Benefit obligation at beginning of year	**23,215**	22,211
Interest cost	**1,210**	1,244
Actuarial (gains)/losses	**(891)**	529
Benefits and expenses paid	**(776)**	(769)
Benefit obligation at end of year	**22,758**	23,215
Reconciliation of opening and closing balances of the fair value of plan assets:		
Fair value of plan assets at beginning of year	**18,256**	16,428
Expected return on plan assets	**1,130**	1,100
Actuarial (losses)/gains	**(1,456)**	837
Contributions by employer	**660**	660
Benefits and expenses paid	**(776)**	(769)
Fair value of plan assets at end of year	**17,814**	18,256
The amounts recognised in the Income Statement are:		
Interest on obligation	**1,210**	1,244
Expected return on plan assets	**(1,130)**	(1,100)
Total expense	**80**	144

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

Group and Company

	2011 £000	2010 £000
Financial income	**(1,130)**	(1,100)
Finance costs	**1,210**	1,244
	80	144

Actuarial (losses)/gains shown in Other Comprehensive Income since 1 January 2007:

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Balance as at 1 January	**(2,259)**	(2,567)	131	1,789	648
Actuarial (losses)/gains	**(1,705)**	308	(2,698)	(1,658)	1,141
Effect of revaluation of defined benefit scheme under CPI	**1,140**	—	—	—	—
Balance as at 31 December	**(2,824)**	(2,259)	(2,567)	131	1,789

History of scheme assets, obligations and experience adjustments

	As at 31 December 2011 £000	As at 31 December 2010 £000	As at 31 December 2009 £000	As at 31 December 2008 £000	As at 31 December 2007 £000
Present value of defined benefit obligation	**22,758**	23,215	22,211	17,396	19,707
Fair value of scheme assets	**17,814**	18,256	16,428	13,869	17,242
Deficit in the scheme	**(4,944)**	(4,959)	(5,783)	(3,527)	(2,465)
Experience adjustments arising on scheme liabilities	**(739)**	30	650	(518)	(39)
Experience item as a percentage of scheme liabilities	**(3)%**	0%	3%	(3)%	0%
Experience adjustments arising on scheme assets	**(1,456)**	837	1,840	(4,410)	266
Experience item as a percentage of scheme assets	**(8)%**	5%	11%	(32)%	2%

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 2011 were £447,000 (2010: £404,000).

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 2011 were £108,000 (2010: £96,000).

For US based employees Zotefoams Inc. operates a 401(k) plan. The contributions paid by Zotefoams Inc. in 2011 were $74,000 (2010: $76,000).