

Tuesday 7 August 2012

Zotefoams plc
(‘Zotefoams’ or the ‘Company’)
Interim Results for the Six Months Ended 30 June 2012

Highlights

- Revenue up by 9.9 % to £24.81 million (2011: £22.56 million)
- Profit before tax increased by 9.5% to £3.59 million (2011: £3.28 million)
- Basic earnings per share increased by 10.6%
- High-Performance Polymer (‘HPP’) sales up by 80% to £1.72 million (2011 restated: £0.96 million)
- Net cash from operating activities of £3.71 million (2011: £2.54 million)
- Interim dividend increased to 1.7 pence per share (2011: 1.6 pence)

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

“During the first half of 2012 we have delivered a strong performance in sales and profit growth and operating cash generation. We have made good underlying progress in the higher-growth parts of our business such as HPP and Azote® foams in Asia, supported by a robust performance across the wider portfolio of our operations which will stand us in good stead for the future.”

Enquiries:

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Chairman's statement

I am pleased to report that in the first six months of 2012 Zotefoams has achieved sales growth of 9.9% and increased profit before tax by 9.5% to £3.59 million. Basic earnings per share increased to 7.3 pence (2011: 6.6 pence) and the Board has decided to increase the interim dividend to 1.7 pence per share (2011: 1.6 pence).

Financial and operational review

Polyolefin foams

In the six months to 30 June 2012 sales of Polyolefin foams increased 8% to £22.34 million (2011: £20.74 million). In constant currency, sales grew by approximately 10%, with the weakness of the euro reducing reported sales by approximately £0.65 million while a slightly stronger US dollar increased reported sales in North America and Asia. In constant currency sales were up by 14% in the UK and by approximately 5% in Europe and by 9% in North America while in Asia, where we are assessing the viability of a new manufacturing facility similar to our North American plant, sales increased by approximately 63%. Energy costs rose by 35% with energy efficiency improvements only partly offsetting a significant increase in the prices of both gas and electricity. The average euro-denominated price of our main raw material, low density polyethylene ('LDPE'), in the first six months of 2012 was 8% lower than in the comparable period in 2011. While LDPE prices can change quite significantly from month to month, Zotefoams does not usually reflect these movements in its foam pricing in the short term. We take a longer-term view and manage margins on foams to give price stability to our customer base. The average euro price of LDPE in the period was almost identical to the average price over the past two years.

Included within Polyolefin foams are the operating results associated with the development and marketing of microZOTE® foams using polyolefin resins. This product line is in the development phase and until January 2012 had been managed by our High-Performance Polymers ('HPP') foams group and was therefore classified under HPP. The product lines currently being developed are more akin to our Azote® polyolefin foams and therefore management control of microZOTE® has passed to this group within our business. The comparative figures for 2011 have been restated as described in Note 6 of the Financial Statements.

Operating margins in Polyolefin foams increased to 16.1% (2011: 15.6%) delivering an operating profit from this segment of £3.60 million (2011: £3.23 million).

High-Performance Polymers ('HPP') foams

Our strategy is to exploit our unique manufacturing process in the development of HPP foams. We are very pleased to report that sales in HPP increased by 80% to £1.72 million (2011: £0.96 million) with progress in all product lines during the period; overall the segment contributed a small operating profit. Our fire-retardant ZOTEK® F fluoropolymer foams, sold mainly into the aviation market, account for the majority of sales and growth in the period with North America currently the dominant market for these products. T-Tubes®, our advanced insulation products, were sold to 18 different countries during the six months to 30 June 2012 and represent approximately 20% of segment sales in the period. ZOTEK® N nylon foams, which exhibit excellent high-temperature stability and good chemical resistance, are currently selling in low volumes although applications in construction, composites, automotive and packaging demonstrate the market interest and potential of this product range. We are investing heavily in the development and marketing of the ZOTEK® N product range, consistent with our medium-term expectations for growth. Pebaxfoam®, which is designed for high energy-return properties, is currently being used in a small number of sports applications and we anticipate further growth here as well as a widening of scope into medical and certain industrial markets as the product range develops.

MuCell Extrusion LLC ('MEL')

MEL licenses microcellular foam technology and sells related machinery. Since March 2011, when Zotefoams acquired full legal ownership of MEL, the company has relocated to premises independent of its former parent company and increased investment in both staff and intellectual property. We have significantly increased the patent coverage and average duration of patents through licensing-in patents from large chemical companies and we have filed for patent protection to cover newly developed technology. This investment in the cost base of MEL has increased the scope of its business and capability to deliver on our growth strategy. Sales at MEL were £0.75 million (2011: £0.87 million). In the period there were two licensees who did not renew their licences, one due to their financial distress and whose exclusive licence is of interest to a number of parties in the same field, and another whose approach to a significant customer required a change of processing method. Neither of these licences are in core areas of future development. The development of MEL has progressed significantly in the period with good leading indicators in equipment orders and quotes as well as customer enquiries and trials.

Tax and Cash Flow

Zotefoams' effective tax rate for the period was 21% (2011: 22%) which is below the UK corporation tax rate of 24.5%, mainly due to the benefit of tax allowances in North America and UK research and development tax credits and other allowances. Earnings before interest, tax, depreciation and amortisation (EBITDA) was £5.27 million (2011: £5.10 million). Cash generated from operations was £4.24 million (2011: £3.10 million) after an increase in working capital of £0.78 million reflecting the higher sales in the period. Tax paid was £0.51 million, leaving net cash from operating activities of £3.71 million (2011: £2.54 million). In January 2012 the Company paid US\$2.00 million (£1.28 million) as part of the deferred consideration on the acquisition, of the remaining interest of MEL. Net cash (cash less overdrafts and other bank borrowings) reduced by £0.1 million from £1.92 million at 31 December 2011 to £1.82 million at 30 June 2012 (30 June 2011: £2.01 million). In July 2012 the Company paid US\$1.50 million as the final instalment of the MEL deferred consideration.

Capital Expenditure

Capital expenditure for the six months ended 30 June 2012 was £1.30 million (2011: £0.72 million). The largest single item related to the commissioning of additional low-pressure expansion capacity in our Croydon facility. In the period we also commenced a significant programme of expenditure for the construction of additional factory space and the purchase of further extrusion capacity for polyolefin foams.

Pensions

Following the April 2011 triennial actuarial review of the Zotefoams Defined Benefit Pension Scheme (the 'Scheme') the Company has agreed with the Trustees of the Scheme to continue its current level of contributions into the Scheme of £55,000 per month until 30 September 2013 when, under the assumptions of the 2011 actuarial review, the deficit is expected to be eliminated. Thereafter the Company contributions will fall to £13,000 per month to cover expenses. This contribution rate will be reviewed again at the next actuarial review. The Company closed the Scheme to new members in 2001 and to future accrual of benefit in 2005.

Employees

On behalf of the Board, I would like to thank all of our employees for their contribution to the strong performance of Zotefoams in the period.

Dividend

The Directors have declared an increased dividend of 1.7 pence per share (2011: 1.6 pence). This represents an increase of 6.25% over the same period last year and the dividend will be paid on 11 October 2012 to shareholders on the Company's register at the close of business on 14 September 2012.

Change in auditor

KPMG Audit plc ('KPMG') had been the Company's auditor for a number of years and as part of good practice the Board, on the recommendation of the Audit Committee, decided that it was appropriate to put the Company audit out to competitive tender. The formal tender process was initiated in May 2012 and following proposals and presentations from three firms (including KPMG), PricewaterhouseCoopers LLP were appointed. KPMG have resigned and, in accordance with section 519(3) of the Companies Act 2006, they have provided the Company with a statement of the circumstances connected with their resignation which will be sent to shareholders.

Risks and uncertainties

Zotefoams' business and share price may be affected by a number of risks, not all of which are within our control. The process Zotefoams has in place for identifying, assessing and managing risks is set out in the Corporate Governance Report on page 35 of the 2011 Annual Report and Accounts. The specific principal risks (which could impact Zotefoams' sales, profits and reputation), and relevant mitigating factors, as currently identified by Zotefoams' risk management process, have not changed since the publication of the last Annual Report and detailed explanations of these can be found on page 18 of the 2011 Annual Report and Accounts. Broadly, these risks include operational disruption, supply chain disruption, technological change and competitor activity, pension liabilities, foreign exchange and financing.

Outlook

During the first half of 2012, traditionally our more profitable trading period, we have delivered a strong performance in profit and operating cash generation. Importantly, we believe we have also delivered good underlying progress in the higher-growth parts of our business such as HPP and Azote® foams in Asia, and a robust performance across the wider portfolio of our operations which will stand us in good stead for the future.

Our plans to invest ahead of future growth are expected to result in higher levels of capital expenditure in the second half of the year with increased capacity in key areas of our business from early 2013.

Zotefoams is an international business operating across a wide variety of industries and serving many end-use markets. We are influenced by global economic factors and market conditions. This includes movements in exchange rates and while the US dollar has been relatively stable against the pound, the exchange rate for the euro is currently at a less favourable rate than the average sterling/euro rate of 1.22 in the first six months of this year. The price of LDPE has fallen month-on-month from its April 2012 peak and at the end of June 2012 was at similar levels to the average price for the second six months of 2011.

We enter the second half of 2012 with a strong balance sheet and the benefits of the investments in people and products we have made in recent years. In another year of turbulent macroeconomic conditions Zotefoams maintains a consistency of strategy and approach. With a strong forward order book, the Company is trading in line with the Board's expectations for the full year and we expect 2012 to be a year of further progress.

N G Howard
Chairman
6 August 2012

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that this consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed set of consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Zotefoams plc are listed in the Zotefoams plc Annual Report for 31 December 2011 with the exception of the following change in the period: Mr Roger Lawson retired on 31 March 2012. A list of current directors is maintained on the Zotefoams plc website: www.zotefoams.com

By order of the Board:

N G Howard

Chairman
6 August 2012

C G Hurst

Finance Director
6 August 2012

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Note	Six months ended 30 June 2012 (unaudited) £000	Six months ended 30 June 2011 (unaudited) £000	Year ended 31 December 2011 (audited) £000
Revenue	6	24,808	22,564	44,208
Cost of sales		(16,974)	(15,637)	(31,624)
Gross profit		7,834	6,927	12,584
Distribution costs		(1,695)	(1,683)	(3,114)
Administrative expenses		(2,487)	(1,904)	(3,880)
Operating profit	6	3,652	3,340	5,590
Financial income		513	566	1,135
Finance costs		(578)	(629)	(1,260)
Profit before tax		3,587	3,277	5,465
Taxation	7	(748)	(708)	(911)
Profit for the year		2,839	2,569	4,554
Attributable to:				
Equity holders of the parent		2,839	2,512	4,497
Non-controlling interest		-	57	57
Total		2,839	2,569	4,554
Earnings per share				
Basic (p)	9	7.3	6.6	11.8
Diluted(p)	9	7.2	6.5	11.5

All of the activities of the Group are continuing.

The notes below form part of these financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30
JUNE 2012**

	Six months ended 30 June 2012 (unaudited) £000	Six months ended 30 June 2011 (unaudited) £000	Year ended 31 December 2011 (audited) £000
Profit for the period	2,839	2,569	4,554
Other comprehensive income			
Foreign exchange translation differences on investment in foreign subsidiaries	55	(364)	(10)
Effective portion of changes in fair value of cash flow hedges net of recycling	64	(15)	18
Actuarial losses on defined benefit schemes	-	-	(1,705)
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	(15)	2	(4)
Tax relating to actuarial losses on defined benefit schemes	-	-	426
Tax relating to effect of revaluation of defined benefit scheme under CPI	-	-	(285)
Other comprehensive income/(expenditure) for the period, net of tax	104	(377)	(420)
Total comprehensive income for the period	2,943	2,192	4,134
Attributable to equity holders of the parent	2,943	2,076	4,018
Attributable to non-controlling interest	-	116	116
Total comprehensive income for the period	2,943	2,192	4,134

The notes below form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	30 June 2012 (unaudited) £000	30 June 2011 (unaudited) £000	31 December 2011 (audited) £000
Non-current assets			
Property, plant and equipment	25,212	24,831	25,433
Intangible assets	5,597	5,703	5,729
Deferred tax assets	495	395	490
Total non-current assets	31,304	30,929	31,652
Current assets			
Inventories	6,431	4,901	5,927
Trade and other receivables	11,429	11,632	10,533
Cash and cash equivalents	2,972	3,820	3,403
Total current assets	20,832	20,353	19,863
Total assets	52,136	51,282	51,515
Current Liabilities			
Interest-bearing loans and borrowings	(660)	(660)	(660)
Tax payable	(927)	(882)	(787)
Trade and other payables	(7,113)	(8,585)	(7,887)
Total current liabilities	(8,700)	(10,127)	(9,334)
Non-current liabilities			
Interest-bearing loans and borrowings	(491)	(1,148)	(820)
Employee benefits	(4,660)	(4,681)	(4,944)
Deferred tax liabilities	(1,278)	(1,354)	(1,165)
Total non-current liabilities	(6,429)	(7,183)	(6,929)
Total liabilities	(15,129)	(17,310)	(16,263)
Total net assets	37,007	33,972	35,252
Equity			
Issued shared capital	1,992	1,992	1,992
Own shares held	(36)	(57)	(58)
Share premium	16,090	16,090	16,090
Capital redemption reserve	15	15	15
Translation reserve	845	436	790
Hedging reserve	13	(84)	(51)
Retained earnings	18,088	15,580	16,474
Total equity attributable to the equity holders of the parent	37,007	33,972	35,252

The notes below form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June 2012 (unaudited) £000	Six months ended 30 June 2011 (unaudited) £000	Year ended 31 December 2011 (audited) £000
Cash flows from operating activities:			
Profit for the period	2,839	2,569	4,554
Adjustments for:			
Depreciation, amortisation and impairment	1,618	1,758	3,213
Financial income	(513)	(566)	(1,135)
Finance costs	578	629	1,260
Equity-settled share-based payments	86	57	125
Taxation	748	708	911
Operating profit before changes in working capital and provisions	5,356	5,155	8,928
Increase in trade and other receivables	(847)	(2,206)	(1,040)
Increase in inventories	(500)	(788)	(1,778)
Increase in trade and other payables	563	1,271	634
Employee benefit contributions	(330)	(330)	(660)
Cash generated from operations	4,242	3,102	6,084
Interest paid	(22)	(11)	(52)
Tax paid	(509)	(549)	(1,053)
Net cash from operating activities	3,711	2,542	4,979
Interest received	-	-	5
Acquisition of MuCell	(1,275)	(2,179)	(2,179)
Acquisition of MuCell patents	-	(311)	(311)
Acquisition of property, plant and equipment	(1,300)	(723)	(2,744)
Net cash used in investing activities	(2,575)	(3,213)	(5,229)
Proceeds from issue of share capital	46	2,328	2,376
Repurchase of own shares	-	(75)	(114)
Repayment of borrowings	(330)	(330)	(660)
Distribution by subsidiary to non-controlling interest	-	(25)	(25)
Dividends paid	(1,291)	(1,216)	(1,835)
Net cash used in financing activities	(1,575)	682	(258)
Net (decrease)/ increase in cash and cash equivalents	(439)	11	(508)
Cash and cash equivalents at 1 January	3,403	4,005	4,005
Effect of exchange rate fluctuations on cash held	8	(196)	(94)
Cash and cash equivalents at the end of period	2,972	3,820	3,403

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

The notes below form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE
2012**

	Share capital	Own shares held	Share premium	Capital redemption reserve	Translation reserve	Hedging reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2012	1,992	(58)	16,090	15	790	(51)	16,474	35,252
Foreign exchange translation differences on investment in foreign subsidiaries	-	-	-	-	55	-	-	55
Effective portion of changes in fair value of cash flow hedges net of recycling	-	-	-	-	-	64	-	64
Tax relating to effective portion of changes in fair value of cash flow hedges net of recycling	-	-	-	-	-	-	(15)	(15)
Profit for the period	-	-	-	-	-	-	2,839	2,839
Total comprehensive income for the period	-	-	-	-	55	64	2,824	2,943
Transactions with owners of the Parent								
Shares issued	-	22	-	-	-	-	24	46
Equity-settled share-based payment transactions net of tax	-	-	-	-	-	-	57	57
Dividends	-	-	-	-	-	-	(1,291)	(1,291)
Total transactions with owners of the Parent	-	22	-	-	-	-	(1,210)	(1,188)
Balance at 30 June 2012 (unaudited)	1,992	(36)	16,090	15	845	13	18,088	37,007

During the six months period ended 30 June 2012, 418,262 shares vested. 441,692 shares were issued from the Zotefoams Employee Benefit Trust ("EBT") following the exercise of these and previous vested options and no shares were acquired by the EBT to meet the exercise of options in the future.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE
2011**

	Share capital	Own shares held	Share premium	Capital redemption reserve	Translation reserve	Hedging reserve	Retained earnings	Total equity	Non- controlling interest	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2011	1,915	(69)	13,941	15	859	(69)	14,155	30,747	4,267	35,014
Foreign exchange translation differences on investment in foreign subsidiaries	-	-	-	-	(423)	-	-	(423)	59	(364)
Effective portion of changes in fair value of cash flow hedges net of recycling net of tax	-	-	-	-	-	(15)	-	(15)	-	(15)
Tax relating to effective portion of changes in fair value of cash flow hedges net of recycling	-	-	-	-	-	-	2	2	-	2
Profit for the period	-	-	-	-	-	-	2,512	2,512	57	2,569
Total comprehensive (expenditure)/ income for the period	-	-	-	-	(423)	(15)	2,514	2,076	116	2,192
Transactions with owners of the Parent										
Shares issued	77	14	2,149	-	-	-	88	2,328	-	2,328
Shares acquired	-	(2)	-	-	-	-	(72)	(74)	-	(74)
Equity-settled share-based payment transactions net of tax	-	-	-	-	-	-	111	111	-	111
Dividends	-	-	-	-	-	-	(1,216)	(1,216)	(25)	(1,241)
Acquisition adjustment	-	-	-	-	-	-	-	-	(4,358)	(4,358)
Total transactions with owners of the Parent	77	12	2,149	-	-	-	(1,089)	1,149	(4,383)	(3,234)
Balance at 30 June 2011 (unaudited)	1,992	(57)	16,090	15	436	(84)	15,580	33,972	-	33,972

The notes below form part of these financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

1. GENERAL INFORMATION

The Company is a public limited liability company incorporated and domiciled in the UK. The address of the registered office is 675 Mitcham Road, Croydon, CR9 3AL. The Group is principally engaged in manufacturing and selling cellular materials and, through MuCell Extrusion LLC ('MEL'), licensing microcellular foam technology and supplying related equipment. The Group has manufacturing sites in the UK and the USA and sells into worldwide markets. The Company is listed on the London Stock Exchange and is registered in England and Wales with Company Number 2714645.

2. BASIS OF PREPARATION

This condensed set of consolidated interim financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

As required by the Disclosure and Transparency Rules of the Financial Service Authority, the condensed set of consolidated interim financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2011. Those consolidated financial statements were prepared in accordance with IFRSs as adopted by the EU.

This condensed set of consolidated interim financial statements has been reviewed, not audited, and was approved for issue on 6 August 2012. This condensed set of consolidated interim financial statements does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2011 were approved by the Board of Directors on 5 March 2012 and delivered to the Registrar of Companies. The Independent Review of the Auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

There were no significant changes to the pension scheme or significant changes to market conditions during the period and therefore the Company did not update its actuarial valuation during this period. The Income Statement charge is based on the set of assumptions laid out in the consolidated statements for the year ended 31 December 2011.

Forward-looking statements

Certain statements in this condensed set of consolidated interim financial statements are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to be correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Going Concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial statements.

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Company's published consolidated financial statements for the year ended 31 December 2011, as described in those consolidated financial statements with the exception of tax which is accrued based on a tax rate that would be applicable to estimated annual earnings.

4. CYCLICAL NATURE OF BUSINESS

Zotefoams traditionally makes more profit in the first six months of the year. This cyclical nature of the business can be attributed to a number of factors, namely:

- Reduced polyolefin sales in second half of year due to customer holiday periods and factory shutdowns in August and December.
- Timing of maintenance/servicing cost which is concentrated around shutdown periods.

However, the Company is also subject to a number of other factors such as customer demand which can affect this cyclical nature.

The Company's subsidiary, MEL, traditionally has had a stronger first six months of the calendar year due to the profile of its licence agreements but this is also subject to a number of other factors which can affect this cyclical nature including changes to its licence portfolio.

5. ESTIMATES

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results for which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2011.

6. 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. Included in this segment are microZOTE® foams made using polyolefin resins.
- 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®.
- 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. There were no transactions within the period between reportable segments apart from the sale of minor equipment from MEL to microZOTE®, within our Polyolefins segment.

We have reclassified microZOTE® closed-cell roll foams made from polyolefin resins from our HPP segment to our Polyolefins segment. This reflects management reporting lines with polyolefin microZOTE® products now being managed by our Polyolefin management team. The segment results for microZOTE® are as follows:

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000
Revenue	32	11
Depreciation	(71)	(69)
Segment loss	(239)	(272)

Six months ended 30 June 2012 (unaudited)	Polyolefins £000	HPP £000	MEL £000	Consolidated £000
Revenue	22,338	1,717	753	24,808
Segment profit	3,598	14	40	3,652
Operating profit				3,652

Six months ended 30 June 2011 (unaudited)	Polyolefins (restated) £000	HPP (restated) £000	MEL £000	Consolidated £000
Revenue	20,738	955	871	22,564
Segment profit/ (loss)	3,226	(209)	383	3,400
Acquisition costs				(60)
Operating profit				3,340

7. TAXATION

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000
Current tax:		
UK corporation tax	645	703
Foreign tax	5	19
	650	722
Deferred tax	98	(14)
	748	708

The Group's consolidated effective tax rate for the six months ended 30 June 2012 was 21% (2011:22%)

Tax is accrued based on a tax rate that would be applicable to estimated annual earnings.

8. DIVIDENDS

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000
Final dividend for the year ended 31 December 2011 of 3.30p (2010: 3.15p) per share	1,291	1,216

The final dividend for the year ended 31 December 2011 was paid on 23 May 2012.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000
Earnings		
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	2,839	2,512
Earnings for the purposes of diluted earnings per share	2,839	2,512

Number of shares	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	38,863,910	37,788,401
Effect of dilutive potential ordinary shares: Share options and Long-Term Incentive Plans	655,624	936,993
Weighted average number of ordinary shares for the purposes of diluted earnings per share	39,519,534	38,725,394

10. RELATED PARTY TRANSACTIONS

There were no material related party transactions for the periods ended 30 June 2012 and 30 June 2011.

Independent review report to Zotefoams plc

Introduction

We have been engaged by the Company to review the condensed set of consolidated interim financial statements in the interim report for the six months ended 30 June 2012, which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flow, the Consolidated Statement of Changes in Equity and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated interim financial statements.

Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of consolidated interim financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated interim financial statements in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated interim financial statements in the interim report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants

First Point
Buckingham Gate
Gatwick
RH6 0PP

6 August 2012

Notes:

- (a) The maintenance and integrity of the Zotefoams plc website are the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
 - (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.
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