Zotefoams plc

Interim Report for the Six Months Ended 30 June 2022

Effective pricing actions support strong H1 with increased profit expectations for the full year

9 August 2022 - Zotefoams plc ("Zotefoams", the "Company" or the "Group"), a world leader in cellular materials technology, today announces its interim results for the six months ended 30 June 2022.

Results highlights

- Group revenue of £59.0m, 23% above the prior year comparative (HY 2021: £48.2m)
  - High-Performance Products (HPP) sales up 21% to £23.7m (HY 2021: £19.6m)
  - Polyolefin foams sales up 26% to £34.3m (HY 2021: £27.3m)
- On a constant currency basis, Group revenue was 21% ahead of the prior year comparative at £57.9m
- Effective pricing has supported gross margins, despite significant cost inflation
- Profit before tax (PBT) increased 42% to £5.7m (HY 2021: £4.0m)
  - FX tailwinds benefitted PBT by £1.0m
- Basic earnings per share increased 44% to 9.42p (HY 2021: 6.52p)
- Interim dividend increased by 4% to 2.18p per share (HY 2021: 2.10p per share), reflecting strong growth and confidence in the Group's prospects

Strategic highlights

- Strong performance and current order book in most polyolefin foam markets and territories provides good momentum leading into H2
  - In Poland, our third major manufacturing site has increased production and is increasingly servicing key European customers directly
- Aviation sales increasing as market recovers and continued good demand in footwear products
- Key patent granted in the USA for ReZorce® recyclable packaging technology

Financial summary

	Six months ended 30 June 2022	Six months ended 30 June 2021	Change
Group revenue (£m)	59.0	48.2	23%
Gross margin (%)	28.9	28.9	-
Operating profit (£m)*	6.6	4.7	41%
Profit before tax (£m)*	5.7	4.0	42%
Basic EPS (p)*	9.42	6.52	44%
Cash generated from operations (£m)	5.2	5.6	(8%)
Interim dividend (p)	2.18	2.10	4%
Leverage ratio (multiple)	2.0	1.9	-
Net debt (£m)	38.0	35.6	(7%)

*Unadjusted for £0.12m of amortisation on acquired intangibles

Commenting on the results and the outlook, David Stirling, Group CEO, said:

"We have delivered robust volume growth across both the HPP and Polyolefin Foam businesses in H1 2022. Alongside this, several rounds of price increases have been implemented across products and markets to catch up with persistent and unpredictable input cost inflation. As a result, we have been able to report stable gross margins, which has enabled strong first half operating profit growth.

"Order books and demand momentum across key markets coming through the half year underpin our expectation for year-on-year sales growth in H2 2022, which will also benefit from better pricing, support from more favourable exchange rates and better product mix.

"Input inflation, other than energy pricing, has moderated and supply chains are operating more normally, however, there is a heightened level of risk associated with macroeconomic factors and the demand environment.

"Whilst remaining mindful of these risks we now expect full year underlying profit to be ahead of current market consensus expectations.

"Overall, I am pleased with the recent performance and current positioning of our business."

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About Zotefoams plc

Zotefoams plc (LSE - ZTF) is a world leader in cellular materials technology delivering optimal material solutions for the benefit of society. Utilising a variety of unique manufacturing processes, including environmentally friendly nitrogen expansion for lightweight AZOTE® polyolefin and ZOTEK® high-performance foams, Zotefoams sells to diverse markets worldwide. Zotefoams uses its own cellular materials to manufacture T-FIT® advanced insulation for demanding industrial markets. Zotefoams also owns and licenses patented microcellular foam technology to reduce plastic use in extrusion applications and for ReZorce® mono-material recyclable barrier packaging. Zotefoams is headquartered in Croydon, UK, with additional manufacturing sites in Kentucky, USA and Brzeg, Poland (foam manufacture), Oklahoma, USA (foam products manufacture and conversion), Massachusetts, USA (MuCell Extrusion) and Jiangsu Province, China (T-FIT).

www.zotefoams.com

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Results overview

Group revenue in the period increased 23% to £59.0m (HY 2021: £48.2m), with pricing and product mix driving the majority of growth. Sales volumes increased by 4% with good demand across most regions and markets. On a constant currency basis, Group revenue was up 20% to £57.9m.

Gross profit increased 23% to £17.1m (HY 2021: £13.9m), with gross margin unchanged at 28.9% (HY 2021: 28.9%). The Group implemented a number of price increases during the period to offset the cost increases, most notably the continuing high raw material prices and the surge in energy prices.

Operating profit for the period increased by 41% to £6.6m (HY 2021: £4.7m). Profit before tax increased 42% to £5.7m (HY 2021: £4.0m) and basic earnings per share increased 44% to 9.42p (HY 2021: 6.52p). Operating profit benefitted from a £1.0m favourable currency movement.

Cash generated from operations was £5.2m (HY 2021: £5.6m), with period end working capital higher than normal due to timing of receivables after strong sales in May and June. Closing net debt increased in the first six months of the year by £3.7m to £38.0m (31 December 2021: £34.3m) and leverage (net borrowings to EBITDA, see section "Net debt and covenants" for definition) at the end of the period was 2.0x (31 December 2021: 2.1x).

The Board remains confident in the cash generation of the business and an interim dividend of 2.18p per share has been approved by the Board (HY 2021: 2.10p per share).

Business unit review

Markets
Zotefoams' speciality materials are used in a wide variety of applications globally. Our main markets are footwear, where we have an exclusive agreement to supply Nike, product protection and transportation, which includes aviation and aerospace, automotive and rail. Building and construction is the only other market segment traditionally representing over 10% of sales, while we also supply to medical, industrial and other markets.

In the first half of 2022 we delivered 23% revenue growth, with pricing initiatives and product mix being the most significant factors. Sales volumes increased by 4%, while favourable foreign exchange rates accounted for 2% of the growth.

Our footwear business grew by 20% compared with H1 2021 and accounted for 33% of Group sales (HY 2021: 34%). Demand in most other markets remained strong, with notable improvement in aviation and insulation products and a noticeable exception being automotive. By geography, all regions delivered sales growth, led by price increases.

Polyolefin Foams
Polyolefin Foams represented 58% of Group revenue (HY 2021: 57%), with sales increasing 26% to £34.3m (HY 2021: £27.3m) and sales volumes increasing 4%. On a constant currency basis, sales were £34.4m. Price increases in the UK and Europe, including a price surcharge aligned to input costs, increased average sales prices by 20%. Product mix suffered a temporary adverse impact in the period as a result of supply constraints in certain additives that are required for many of our more technical, higher-value products.

In Continental Europe (46% of segment sales) sales increased 23% and volumes increased 6% versus the comparative period, with all markets other than automotive performing strongly. In the UK (17% of segment sales), sales increased 9% but volumes declined 6% the latter partly due to timing in availability of higher-value products. In North America (31% of segment sales), sales increased 47% and volumes increased 13%, with record sales performance and order book and an improved product mix. In Asia, where volumes are significantly lower (6% of sales) and the product mix is biased to higher-value products, sales grew 10% but volumes fell 12%, the latter again linked to availability of these products in the period.

Segment profit increased by 28% to £1.7m (HY 2021: £1.3m), yielding a segment profit margin of 5% (HY 2021: 5%) and is an increase from the 1% margin achieved for full year 2021. On a constant currency basis, segment profit was £1.9m. While this improvement in profitability is welcome, the segment profit remains low due to three main factors. Firstly, inflationary costs, primarily in raw materials and energy, have been passed on as price increases, but with a timing lag. We believe that our market pricing now reflects the current level of costs we face, other than possible further energy price increases in the second half, therefore future margins should reflect the full benefit of our price increases. Secondly, we have invested in additional capacity which comes with margin dilution in the short term. This primarily relates to the incremental costs associated with our Poland facility, which is currently operating as planned at lower utilisation levels but is already providing valuable global capacity to the AZOTE business unit and improved customer service to mainland Europe customers. Finally, our North American facility has recorded strong sales growth and is enjoying record order books, but performance efficiency has suffered without direct support from the UK during COVID travel restrictions. This is now being resolved and, combined with the benefit of continuous operational improvements in the UK facility, will benefit margins over the medium term.

The relationship between our prices and input costs is obviously of particular importance. Generally, we are able to pass on increased costs if these are commensurate with the inflation being experienced. Historically, we have not typically utilised short-term dynamic pricing in response to either rising or falling raw material costs, with minor variations being absorbed over a cycle of annual price increases. However, recent cost inflation has not been typical, with very high prices for our major raw materials, particularly low-density polyethylene ("LDPE"), as well as other input costs. In the UK and Europe, Zotefoams implemented price increases effective January 2022 and April 2022 and then introduced a price surcharge in May. In the USA, we implemented price increases in January 2022 and May 2022. In both cases, we also introduced speciality materials surcharges. The intent of these price increases is to recover the higher costs but not to recover previous percentage margin levels, nor position at the peak pricing levels experienced. Finding the balance between price rises and potential demand destruction in the current environment represents an ongoing challenge. We expect our sales prices to hold when polymer prices return to more normal levels, while surcharges are positioned to be more flexible and relate closely to increases or decreases in the main costs we face.

High-Performance Products ("HPP")
HPP represented 40% of Group revenue in the period (HY 2021: 41%), with sales increasing 21% to £23.7m (HY 2021: £19.6m). On a constant currency basis, sales were £22.6m, representing 15% growth. Sales volumes in HPP were 9% higher than the comparative period. Sales of our largest application, footwear, continued to show growth in the period, increasing 18% in the period to £19.5m (HY 2021: £16.5m). ZOTEK® F technical foams, which are mainly used in aviation, grew by 69% to £1.9m (HY 2021: £1.1m). This remains significantly below the pre-pandemic years (HY 2020: £3.5m and HY 2019: £4.2m) but is an encouraging trend and we expect this momentum to continue. T-FIT® advanced insulation, which is mainly used for cleanrooms in pharmaceutical, biotech and semiconductor manufacturing, grew 8% in the period under very difficult conditions, particularly in China, one of our main markets, which has adopted a zero-tolerance approach to COVID-19 and where our local processing plant was closed for five weeks during Q2 2022. As we develop the T-FIT brand, supported by clear evidence of the performance and value to the customer across a range of installations, we are seeing increased interest in the product range and expected growth to accelerate in H2 2022, provided Asia avoids further COVID disruption.

The segment profit in HPP reflects a mix of products and markets at different stages of development. Within this portfolio foams used for footwear and aviation have both reached a scale that makes them profitable. T-FIT technical insulation, which has attractive underlying margin potential, has a mixture of profitable lines and earlier stage products and the Group has continued to invest in operational and sales capability, mainly in China and India, but more recently in the USA and Poland. We intend to continue with this investment, which we believe offers good potential to support our long-term ambition.

Segment profit in HPP increased by 66% to £6.5m (HY 2021: £3.9m), yielding a segment profit margin of 27% (HY 2021: 20%). On a constant currency basis, segment profit was £5.3m, yielding a profit margin of 23%. Most HPP sales are in USD while costs are in a mixture of GBP, USD and Euro, therefore the benefit of the stronger dollar and weaker euro was greater on the HPP segment than in

Polyolefin Foams. Raw materials and other inflationary pressures were less marked in HPP than in AZOTE, partly as a result of larger inventory holdings in HPP, with correspondingly lower pricing adjustments in HPP foams or T-FIT insulation products being made.

MuCell Extrusion LLC ("MEL")
MEL, which licenses microcellular foam technology and sells related machinery, accounted for 2% (HY 2021: 3%) of Group revenue in the period with sales of £1.1m (HY 2021: £1.3m).

We continue to divert many of our existing resources away from our traditional MEL licensing business model and towards the business opportunity offered by our ReZorce® barrier materials products. Moreover, as we have previously communicated, we have invested additional resources to deliver this opportunity. ReZorce is a mono-material, and hence fully recyclable, barrier packaging solution for consumer products which offers the possibility to replace difficult-to-recycle cartons and pouches with a system that can not only be easily recycled but also uses recycled material to deliver a circular packaging solution. ReZorce, therefore, offers a potential improvement in carbon footprint and recyclability to a global industry.

While considerable challenges, and therefore risks, remain in developing the complete "end-to-end" solution, there have been some notable developments since our last update such as the granting of a key patent in the USA and trials at low volume on a commercial production line proving our ability to make and fill a carton based on our technology. Higher output trials are planned and we now intend to investigate potential partnerships to support the journey through development and commercialisation, given the size of the opportunity and expertise required.

During the period, we invested £0.6m in operating costs (HY 2021: £0.3m) to continue the development of ReZorce, while a further £0.9m of capex was incurred, split £0.7m (HY 2021: £0.2m,) intangible development costs and £0.2m (HY 2021: £0.5m) tangible assets. Since the inception of this initiative, the Group has capitalised a total of £3.3m (HY 2021: £1.2m).

MEL reported a segment loss after amortisation costs of £0.6m (HY 2021: loss £0.1m), with breakeven in the core business of MEL as growth investment was diverted to ReZorce and licence income increased. The carrying value of MEL at 30 June 2022 includes intangible assets of £6.3m (31 December 2021: £5.1m), which mostly comprises goodwill and technology that arose on the acquisition of MEL in a previous accounting period and capitalised development costs relating to ReZorce. While MEL has historically been loss making, we consider that no impairment is needed at this stage based on the size and potential of the opportunity that the ReZorce technology offers. In this regard, the carrying value is supported by the Board's ongoing commitment to funding the project and the progress made to date and expected in the second half of the year.

Environmental, Social and Governance ('ESG')

The Board understands that embedding ESG in our business creates sustainable long-term value for stakeholders. Zotefoams' purpose, to provide "Optimal material solutions for the benefit of society" reflects our belief that plastics, when used appropriately, are frequently the best solution for the sophisticated, long-term applications typically delivered by our customers. We are making good progress on our ESG plans including reducing energy and polymer usage, minimising waste and developing new products which use recycled materials. A full ESG report was published in March 2022 setting out the Group's ESG management framework and goals. This will be updated in March 2023.

Employees and talent management

Hiring and retaining employees with the right skills and managing and further developing these talented people, is very important to Zotefoams as it grows and evolves globally. We have a wide scope of opportunities and need to identify and develop the right people to define and deliver our potential. While direct engagement with certain overseas operations has increased as the effects of COVID-19 subside, others remain difficult to visit and renders the continued use of technology essential to training, alignment and management. We currently employ 572 people globally (HY 2021: 551 people), 42% (HY 2021: 35%) of whom are outside the UK.

On behalf of the Board, we would like to thank all our employees for their continued contributions and commitment to Zotefoams, as well as their ongoing flexibility during these challenging times. We would also like to thank Dan Catalano, President of our USA operation until his retirement in May 2022, for his 18 years of service to the Zotefoams Group and his contributions to the growth of our US business, including his successful oversight of the recent capacity investment in the facility. We wish him well in his retirement.

Financial review

Currency review

As a predominantly UK-based exporter, over 80% of Zotefoams' sales are denominated in US dollars and euros. Most costs are incurred in sterling, other than the main raw materials processed at the Croydon, UK site, which are in euros, and the operating costs of the Group's North American activities, which are in US dollars. As a result, movements in foreign exchange rates can have a significant impact on the Group's results. The Group also incurs operating costs at the Poland facility in Polish zloty and operating costs at its China T-FIT processing plant in Chinese yuan but any fluctuations here are immaterial to the Group.

The exchange rates used to translate the key flows and balances were:

	6 months to 30 Jun 22	6 months to 30 Jun 21	12 months to 31 Dec 21
Euro to GBP – period average	1.189	1.152	1.163
Euro to GBP – period-end spot	1.163	1.164	1.192
USD to GBP – period average	1.300	1.388	1.376
USD to GBP – period-end spot	1.213	1.384	1.351

The Group uses forward exchange contracts to hedge its foreign currency transaction risk and hedges its exposure to foreign currency denominated assets, where possible, by offsetting them with same-currency liabilities, primarily through borrowing in the relevant currency. These foreign currency denominated assets, which are translated on a mark to market basis every month with the movement being taken to the income statement, include loans made by the Company to, and intercompany trading balances with, its overseas subsidiaries, the effect of which is cash neutral, and non-sterling accounts receivable held on the Company's balance sheet. The Group does not currently hedge for the translation of its foreign subsidiaries' assets or liabilities. This policy is kept under regular review and is formally approved by the Board on an annual basis.

In the period, net FX movements had a positive impact on sales and profitability. Reported net sales were £1.1m above those adjusted on a constant currency basis (HY 2021: £2.6m below). The net profit effect of this on the Group, prior to any hedging activity, was a gain of approximately £1.0m (HY 2021 loss: £1.8m). Offsetting this, and included in administrative expenses, was a loss of £0.9m (HY 2021 gain: £1.0m) from transactional hedging via forward exchange contracts. We also recorded a translation gain, mostly related to the translation of USD-denominated footwear receivables, of £0.9m (HY 2021 loss: £0.4m). The combined favourable impact of movements in foreign currency on profitability in the period was £1.0m (2021: adverse effect £1.2m).

Gross profit

Gross profit increased 23% in the period to £17.1m (HY 2021: £13.9m), benefitting from improved pricing, the operational gearing effect of higher sales volumes and £1.1m of favourable currency impact. Price increases in the period partially offset the cost inflation in, primarily, raw materials and energy, with a lag in implementation. Period-to-period, average Low-density polyethylene prices (the primary raw material for AZOTE® foams) were 27% higher and energy prices were 50% higher. Since the beginning of the year, the contribution margin (sales less direct input costs and energy) has increased by six percentage points. The net impact of this was an unchanged gross profit margin of 28.9% (HY 2021: 28.9%).

We do not anticipate any meaningful relief from high polymer prices this year and expect energy costs to remain high and extremely unpredictable for the foreseeable future as a result of the prevailing geopolitical uncertainty.

Distribution and administrative costs
Included within distribution expenses in the Group's income statement are sales, marketing, despatch and warehousing costs. These costs increased 3% to £3.7m (HY 2021: £3.6m), with increased sales activity offset by efficiency improvements in areas including offsite warehouse storage.

Included within administrative expenses are technical development, finance, information systems and administration costs as well as the impact of foreign exchange hedges maturing in the period and non-cash foreign exchange translation expenses. In the period, these costs increased 19% to £6.8m (HY 2021: £5.7m). Stripping out FX hedging movements, costs increased 9% to £6.9m (HY 2021: £6.3m. See currency review for further details of FX-related variances.

Finance Costs
Finance costs increased to £0.9m (HY 2021: £0.6m) and include £0.1m (HY 2021: £0.1m) of interest on the Company's Defined Benefit Scheme pension obligation. The increase relates to £0.3m of unamortised costs from the previous banking facility, which was replaced in March 2022.

Taxation and earnings per share
Income tax expense for the period increased by 35% to £1.1m (HY 2021: £0.8m). The tax charge is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. Zotefoams' estimated average annual tax rate used for the period to 30 June 2022 is 19.88% (estimated average annual tax rate for the year used at 30 June 2021: 21.04%), which reflects the increase in profits of the legal entities within the UK.

Basic earnings per share was 9.62p (HY 2021: 6.52p) an increase of 44%.

Cash flow
Cash generated from operations was £5.2m (HY 2021: £5.6m). Included in this was a net increase in working capital in the period of £5.8m (HY 2021: net increase of £3.0m). Accounts receivable increased £9.6m in the period (HY 2021: increased £4.1m), reflecting very high May and June sales (average terms 70-90 days) as well as a short delay in cash receipt across the period end due to a delay in material transit to a large customer. Excluding footwear customers, whose size skews the statistic, overdues continued to be below 1%. Inventories increased £1.0m in the period (HY 2021: increased £3.9m) and accounts payable increased £4.7m (HY 2021: increased £5.0m), reflecting significantly higher levels of activity and materials pricing compared with the comparative period.

Capital expenditure in the period was £3.4m (HY 2021: £3.4m), of which £0.8m (HY 2021: £0.3m) related to intangibles arising from the capitalisation of ReZorce development costs. A final dividend of £2.1m (HY 2021: £2.1m) was paid during the period.

Net debt and covenants
Net debt (cash less bank borrowings and lease liabilities) increased by £3.7m from the start of the period to £38.0m (31 December 2021: £34.3m).

At 30 June 2022, the Group's gross finance facilities were £50.0m, comprising a multi-currency term loan of £50.0m. At 31 December 2021, the Group's gross finance facilities were £47.3m, comprising a multi-currency term loan of £20m, a multi-currency revolving credit facility of £25.0m and a remaining balance of £2.3m of a further £7.5m sterling annually renewable term loan that had been repayable in equal quarterly instalments. At the date of the Statement of Financial Position, headroom, which we define as the combination of amount undrawn on the facility and cash and cash equivalents disclosed on the Statement of Financial Position, amounted to £12.3m (31 December 2021: £13.4m).

The facility is subject to two covenants, which are tested semi-annually: net debt to EBITDA (leverage) and EBITDA to net finance charges. These measures, which are not IFRS, are defined as follows:

Net debt to EBITDA ratio (Leverage)

£m	12 months to 30 June 2022	12 months to 31 Dec 2021
Profit after tax	**6.2**	4.4
Adjusted for:		
Depreciation and amortisation	**7.7**	7.6
Net finance costs	**1.4**	1.1
Share of result from joint venture	**(0.1)**	0.0
Equity-settled share-based payments	**0.4**	0.4
Taxation	**2.5**	2.6
EBITDA	**18.1**	16.1

£m	At 30 June 2022	At 31 Dec 2021
Net debt per IFRS	**38.0**	34.3
IFRS 16 leases	**(1.0)**	(1.1)
Fin leases pre 1 January 2019	**0.0**	0.1
Roundings	**0.0**	(0.1)
Net debt per bank	**37.0**	33.2
Leverage per bank	**2.0x**	2.1x

EBITDA to net finance charges ratio

£m	12 months to 30 June 2022	12 months to 31 Dec 2021
EBITDA, as above	**18.1**	16.1
EBITDA to net finance charges	**14.1x**	16.1x

£m	12 months to 30 June 2022	12 months to 31 Dec 2021
Net finance costs	**1.4**	1.1
Less: interest on pension	**(0.1)**	(0.1)
Net finance charges	**1.3**	1.0

As shown above, the Group remained comfortably within these covenants throughout the first half of the year and at the period-end. As at 30 June 2022, the ratio of EBITDA to net finance charges was 14x (31 December 2021: 16x; 30 June 2021: 21x), against a covenant minimum of 4x, and the ratio of net borrowings to EBITDA (leverage) was 2.0x (31 December 2021: 2.1x; 30 June 2021: 1.9x), against a covenant maximum of 3.5x (31 December 2021 and 30 June 2021: 3.0x).

Post-employment benefits

The last full actuarial valuation of the DB Scheme, closed to new members since 2001, took place as at 5 April 2020, in line with the requirement to have a triennial valuation. On a Statutory Funding Objective basis, a deficit was calculated for the DB Scheme of £7.7m (previous triennial valuation: £4.2m). As a result, the Company agreed with the Trustees to make contributions to the DB Scheme of £643,200 per annum, beginning 1 July 2021, to meet the shortfall by 31 October 2026 (previously 31 October 2026), up from £492,000 per annum previously. In addition, the Company pays the ongoing DB Scheme expenses of £216,000 per annum (previously £180,000 per annum) to cover death-in-service insurance premiums, the expenses of administering the DB Scheme and Pension Protection Fund levies.

At the previous year-end of 31 December 2021, the IAS19 deficit disclosed in the Company accounts was calculated to be £4.7m. Over the period to 30 June 2022, the Scheme's invested assets have reduced by around £7.6m while the liabilities have reduced by around £9.8m due to the significant increase in long-dated corporate bond yields. After taking these factors into account, the IAS19 deficit is estimated to have reduced by around £2.2m (i.e. from £4.7m as at 31 December 2021 to around £2.5m as at 30 June 2022).

Going Concern

In March 2022, the Group completed a bank refinancing that, after a competitive tender process, culminated in it continuing its relationship with its partner banks Handelsbanken and NatWest on improved terms. Under these new terms, the Group's gross finance facility comprises a £50m multi-currency revolving credit facility with a £25m accordion, on a 4+1 tenor, with an interest rate ratchet linked to leverage on a six-monthly basis, and including a small element related to the achievement of sustainability targets. The finance cost and leverage covenants remain in place, with the former remaining at 4:1 and the latter increasing to 3.5:1 from 3.0:1.

The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and predictions, taking account of reasonably possible changes in trading performance and considering the existing banking facilities, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months following the date of approval of this interim report. The Directors have also drawn upon the experiences of 2020 and the Group's success in reacting to the challenges of COVID-19 through its safety protocols and cost and cash management, all of which could be replicated in a similar scenario. After due consideration of the range and likelihood of potential outcomes, the Directors continue to adopt the going concern basis of accounting in preparing these interim financial statements.

Dividend

An interim dividend of 2.18p per share (HY 2021: 2.10p per share) will be paid on 7 October 2022 to shareholders on the Company's register at the close of business on 9 September 2022.

Principal risks and uncertainties

Zotefoams' business and share price may be affected by a number of risks, not all of which are within its control. The process Zotefoams has in place for identifying, assessing and managing risks is set out in the Risk Management and Principal Risks section, pages 45 to 54, of the 2021 Annual Report.

In the opinion of the Board, 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 significantly since the publication of the last Annual Report, which was prepared at a time when we had a reasonably clear understanding of the inflationary pressures and supply chain issues prevailing. While the Ukraine-Russia war had only just begun, the macroeconomic risks were understood and the impact on the Group has, as expected, been primarily through higher energy prices. The direct effects of the pandemic also continue to impact the Group, but now mostly through our T-FIT operations in Asia, where the China processing facility was shut down for five weeks in Q2 2022 and travel to the region remains restricted. The Group's significant footwear operations in Asia have, however, been unaffected. Our investment in ReZorce technology remains, as previously noted, high risk and high potential reward and is subject to regular and direct Board oversight. Detailed explanations of the Group's principal risks can be found in the 2021 Annual Report. Broadly, these include COVID-19, operational disruption, sustainability and climate change, global capacity management, technology displacement, scaling-up international operations, loss of a key customer and external.

Outlook

In H2 2022, we expect year-on-year growth in sales as a consequence of better pricing, including support from more favourable exchange rates, and improved product mix.

In Polyolefin Foams, the strong demand experienced in H1 2022 has translated into an encouraging third quarter order book, with a better product mix following improved availability of speciality products. Volumes in Polyolefin Foams are likely to be lower than in H1 2022, based on normal seasonality, but at similar levels to H2 2021, albeit with some variation in regional performance.

In HPP, we enter H2 2022 with a strong order book for footwear and a good pipeline of business in other areas. We therefore anticipate further sequential growth for the remainder of the year, with H2 volumes modestly higher than H1 2022 and with an improved mix due to increased sales to the aviation segment.

In MEL, we expect sales in H2 2022 to be at similar levels to H1 2022 but with a mix more oriented to equipment sales, and a significant increase in operating costs as we progress the ReZorce initiative.

Input inflation, other than energy pricing, has moderated and supply chains are operating more normally, however, there is a heightened level of risk associated with macroeconomic factors and the demand environment.

Whilst remaining mindful of these risks we now expect full year underlying profit to be ahead of current market consensus expectations.

S P Good	D B Stirling
Chairman	Group CEO
9 August 2022	9 August 2022

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the United Kingdom 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 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 2021 Annual Report as well as on the Zotefoams plc website: www.zotefoams.com.

By order of the Board:

S P Good	D B Stirling
Chairman	Group CEO
9 August 2022	9 August 2022

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended		Year Ended
		30-Jun-22	30-Jun-21	31-Dec-21
		(Unaudited)	(Unaudited)	(Audited)
	Notes	**£'000**	£'000	£'000
Revenue	6	**59,045**	48,164	100,750
Cost of sales		**(41,975)**	(34,233)	(74,184)
Gross profit		**17,070**	13,931	26,566
Distribution costs		**(3,706)**	(3,583)	(7,316)
Administrative expenses		**(6,803)**	(5,695)	(11,117)
Operating profit		**6,561**	4,653	8,133
Finance costs		**(912)**	(617)	(1,116)
Finance income		**13**	4	11
Share of profit/(loss) from joint venture		**42**	(36)	(20)
Profit before income tax		**5,704**	4,004	7,008
Income tax expense	7	**(1,134)**	(842)	(2,632)
Profit for the period/year		**4,570**	3,162	4,376
Profit attributable to:				
Equity holders of the Company		**4,570**	3,162	4,376
		4,570	3,162	4,376
Earnings per share:				
Basic (p)	9	**9.42**	6.52	9.01
Diluted (p)	9	**9.21**	6.40	8.87

The notes below form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended		Year ended
	30-Jun-22 (Unaudited) £'000	30-Jun-21 (Unaudited) £'000	31-Dec-21 (Audited) £'000
Profit for the period/year	**4,570**	3,162	4,376
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Actuarial gains on defined benefit pension schemes	**1,800**	2,554	3,517
Tax relating to items that will not be reclassified	**(450)**	(528)	(444)
Total items that will not be reclassified to profit or loss	**1,350**	2,026	3,073
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation gains/(losses) on investment in foreign subsidiaries	**3,279**	(623)	(96)
Change in fair value of hedging instruments	**(3,141)**	570	(344)
Hedging (losses)/gains reclassified to profit or loss	**1,348**	(995)	(1,251)
Tax relating to items that may be reclassified	**450**	(155)	376
Total items that may be reclassified subsequently to profit or loss	**1,936**	(1,203)	(1,315)
Other comprehensive income for the period/year, net of tax	**3,286**	823	1,758
Total comprehensive income for the period/year	**7,856**	3,985	6,134
Profit attributable to:			
Equity holders of the Company	**7,856**	3,985	6,134
Total comprehensive income for the period/year	**7,856**	3,985	6,134

The notes below form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Notes	**30-Jun-22 (Unaudited) £'000**	30-Jun-21 (Unaudited) £'000	31-Dec-21 (Audited) £'000
Non-current assets				
Property, plant and equipment	10	**94,627**	91,505	91,401
Right-of-use assets		**946**	1,353	1,104
Intangible assets		**7,190**	5,617	6,224
Investments in joint venture		**205**	147	163
Trade and other receivables		**59**	35	11
Deferred tax assets		**430**	460	492
Total non-current assets		**103,457**	99,117	99,395
Current assets				
Inventories		**27,569**	26,817	25,954
Trade and other receivables		**34,253**	26,112	24,338
Derivative financial instruments	13	**1**	868	173
Cash and cash equivalents		**7,726**	6,738	8,055
Total current assets		**69,549**	60,535	58,520
Total assets		**173,006**	159,652	157,915
Current liabilities				
Trade and other payables		**(14,151)**	(12,639)	(9,242)
Derivative financial instruments	13	**(2,799)**	(156)	(600)
Current tax liability		**(583)**	-	(83)
Lease liabilities		**(466)**	(503)	(486)
Interest-bearing loans and borrowings	11	**(44,743)**	(26,717)	(26,564)
Total current liabilities		**(62,742)**	(40,015)	(36,975)
Non-current liabilities				
Lease liabilities		**(504)**	(870)	(643)
Interest-bearing loans and borrowings	11	**-**	(14,272)	(14,710)
Deferred tax liabilities		**(3,425)**	(1,760)	(3,155)
Post-employment benefits		**(2,529)**	(6,050)	(4,657)
Total non-current liabilities		**(6,458)**	(22,952)	(23,165)
Total liabilities		**(69,200)**	(62,967)	(60,140)
Total net assets		**103,806**	96,685	97,775
Equity				
Issued share capital		**2,431**	2,431	2,431
Share premium		**44,178**	44,178	44,178
Own shares held		**(7)**	(10)	(10)
Capital redemption reserve		**15**	15	15
Translation reserve		**5,507**	1,701	2,228
Hedging reserve		**(1,653)**	329	(310)
Retained earnings		**53,335**	48,041	49,243
Total equity		**103,806**	96,685	97,775

The notes below form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended		Year ended
	30-Jun-22	30-Jun-21	31-Dec-21
	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000
Cash flows from operating activities			
Profit for the period/year	**4,570**	3,162	4,376
Adjustments for:			
Depreciation and amortisation	**3,905**	3,783	7,624
Disposal of assets	**-**	88	53
Finance costs	**904**	612	1,105
Share of (profit)/loss from joint venture	**(42)**	36	20
Net exchange differences	**658**	121	376
Equity-settled share-based payments	**335**	342	360
Taxation	**1,134**	842	2,632
Operating profit before changes in working capital and provisions	**11,464**	8,986	16,546
Increase in trade and other receivables	**(9,618)**	(4,084)	(1,636)
Increase in inventories	**(967)**	(3,899)	(2,843)
Increase in trade and other payables	**4,742**	4,956	1,506
Employee defined benefit contributions	**(430)**	(350)	(779)
Cash generated from operations	**5,191**	5,609	12,794
Interest paid	**(455)**	(405)	(789)
Income taxes received/(paid)	**245**	(443)	(1,087)
Net cash flows generated from operating activities	**4,981**	4,761	10,918
Cash flows from investing activities			
Interest received	**9**	4	11
Interest paid	**-**	(33)	(32)
Purchases of intangibles	**(794)**	(328)	(1,069)
Proceeds on disposal of property, plant and equipment	**-**	-	88
Purchases of property, plant and equipment	**(2,629)**	(3,069)	(6,002)
Net cash used in investing activities	**(3,414)**	(3,426)	(7,004)
Cash flows from financing activities			
Proceeds from options exercised and issue of share capital	**-**	26	40
Repayment of borrowings	**(42,729)**	(5,489)	(7,739)
Proceeds from borrowings	**43,092**	4,618	6,974
Lease payments	**(272)**	(270)	(543)
Dividends paid	**(2,131)**	(2,058)	(3,074)
Net cash used in financing activities	**(2,040)**	(3,173)	(4,342)
Net decrease in cash and cash equivalents	**(473)**	(1,838)	(428)
Cash and cash equivalents at start of period/year	**8,055**	8,503	8,503
Exchange gains/(losses)	**144**	73	(20)
Cash and cash equivalents at end of period/year	**7,726**	6,738	8,055

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 an integral part of these condensed consolidated interim financial statements.

During the period, the Group paid interest of £455k (June 2021: £438k, December 2021: £821k) of which no interest was capitalised (June 2021: £33k, December 2021: £32k) on qualifying assets under IAS 23 ‘Capitalisation of Borrowing Costs’. The interest paid has been split between operating activities and investing activities to reflect the Group’s utilisation on interest paid.

The net exchange differences of £658k (June 2021: £121k, December 2021: £376k) within operating activities relate to the foreign exchange movement on borrowings.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Share capital £`000	Share premium £`000	Own shares held £`000	Capital redemption reserve £`000	Translation reserve £`000	Hedging reserve £`000	Retained earnings £`000	Total equity £`000
Balance as at 1 January 2022	**2,431**	**44,178**	**(10)**	**15**	**2,228**	**(310)**	**49,243**	**97,775**
Foreign exchange translation gains on investment in subsidiaries	-	-	-	-	3,279	-	-	3,279
Change in fair value of hedging instruments recognised in other comprehensive income	-	-	-	-	-	(3,141)	-	(3,141)
Hedging losses reclassified to profit or loss	-	-	-	-	-	1,348	-	1,348
Tax relating to effective portion of changes in fair value of cash flow hedges net of recycling	-	-	-	-	-	450	-	450
Actuarial gain on Defined Benefit Pension Scheme	-	-	-	-	-	-	1,800	1,800
Tax relating to actuarial gain on Defined Benefit Pension Scheme	-	-	-	-	-	-	(450)	(450)
Profit for the period	-	-	-	-	-	-	4,570	4,570
Total comprehensive income for the period	-	-	-	-	3,279	(1,343)	5,920	7,856
Transactions with owners of the Parent:								
Options exercised	-	-	3	-	-	-	(3)	-
Equity-settled share-based payments net of tax	-	-	-	-	-	-	306	306
Dividends paid	-	-	-	-	-	-	(2,131)	(2,131)
Total transactions with owners of the Parent	-	-	3	-	-	-	(1,828)	(1,825)
Balance as at 30 June 2022 (Unaudited)	**2,431**	**44,178**	**(7)**	**15**	**5,507**	**(1,653)**	**53,335**	**103,806**

	Share capital £`000	Share premium £`000	Own shares held £`000	Capital redemption reserve £`000	Translation reserve £`000	Hedging reserve £`000	Retained earnings £`000	Total equity £`000
Balance as at 1 January 2021	**2,431**	**44,178**	**(23)**	**15**	**2,324**	**909**	**44,542**	**94,376**
Foreign exchange translation loss on investment in subsidiaries	-	-	-	-	(623)	-	-	(623)
Change in fair value of hedging instruments recognised in other comprehensive income	-	-	-	-	-	570	-	570
Hedging gains reclassified to profit or loss	-	-	-	-	-	(995)	-	(995)
Tax relating to effective portion of changes in fair value of cash flow hedges net of recycling	-	-	-	-	-	(155)	-	(155)
Actuarial gain on Defined Benefit Pension Scheme	-	-	-	-	-	-	2,554	2,554
Tax relating to actuarial gain on Defined Benefit Pension Scheme	-	-	-	-	-	-	(528)	(528)
Profit for the period	-	-	-	-	-	-	3,162	3,162
Total comprehensive income for the period	-	-	-	-	(623)	(580)	5,188	3,985
Transactions with owners of the Parent:								
Options exercised	-	-	13	-	-	-	27	40
Equity-settled share-based payments net of tax	-	-	-	-	-	-	342	342
Dividends paid	-	-	-	-	-	-	(2,058)	(2,058)
Total transactions with owners of the Parent	-	-	13	-	-	-	(1,689)	(1,676)
Balance as at 30 June 2021 (Unaudited)	**2,431**	**44,178**	**(10)**	**15**	**1,701**	**329**	**48,041**	**96,685**

During the six months period ended 30 June 2022, 58,737 shares vested (June 2021: 262,313) and were issued from the Zotefoams Employee Benefit Trust (‘EBT’) following the exercise of these options.

During the six months period ended 30 June 2022, 503,701 Long Term Incentive Plan awards (June 2021: 335,191), 12,193 Deferred Bonus Share Plan awards (June 2021: 14,790) and 31,489 share options (June 2021: 40,690) were granted.

The notes below form an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. GENERAL INFORMATION

Zotefoams plc ('the 'Company') and its subsidiaries and joint venture (together, 'the Group') manufacture and sell high-performance foams and license related technology for specialist markets worldwide. The Group has manufacturing sites in the UK, USA, Poland and China. The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 8 August 2022.

The Company is a public limited company which is listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of the registered office is 675 Mitcham Road, Croydon, CR9 3AL.

These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2021 were approved by the Board of Directors on 6 April 2022 and delivered to the Registrar of Companies. The report 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.

These condensed consolidated interim financial statements have been reviewed, not audited.

These condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting' as adopted by the United Kingdom. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with UK adopted international accounting standards (IAS).

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. As 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.

2. BASIS OF PREPARATION

ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for income taxes. Taxes on income in the interim condensed consolidated financial statements are accrued using the tax rate that would be applicable to the expected full financial year results for the Group.

GOING CONCERN

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and predictions, taking account of reasonably possible changes in trading performance and considering the existing banking facilities, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months following the date of approval of the interim report. The Directors have also drawn upon the experiences of 2020 and the Group's success in reacting to the challenges of COVID-19 through its safety protocols and cost and cash management, all of which could be replicated in a similar scenario. After due consideration of the range and likelihood of potential outcomes, the Directors continue to adopt the going concern basis of accounting in preparing these interim financial statements.

3. ESTIMATES AND JUDGEMENTS

The preparation of 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 expense. 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 for the year ended 31 December 2021, with the exception of changes in estimates that are required in determining the provision for income taxes.

4. FINANCIAL RISK MANAGEMENT

There have been no changes in any risk management policies since the year-end.

5. SEASONALITY OF OPERATIONS

The seasonality of the Group's business differs by business unit. Polyolefin Foams generally experiences a strong H1, as in H2 many customers shut down for summer vacation, the manufacturing sites shut down for annual planned maintenance and much of the business closes for the period between Christmas and New Year. Sales in the High-Performance Products ('HPP') business, on the other hand, tend to be more H2 skewed, based on customer ordering patterns. The mix of these business units in a year will impact the seasonality of the Group's sales performance. Additionally, there remains an underlying cyclical nature of our markets, over the longer macroeconomic business cycle, as the Group sells into a wide variety of business segments, many of which are themselves cyclical.

6. SEGMENT REPORTING

The Group's operating segments are reported in a manner consistent with the internal reporting provided to and regularly reviewed by the Group Chief Executive Officer, David Stirling, who is considered to be the 'chief operating decision maker' for the purpose of evaluating segment performance and allocating resources. The Group Chief Executive Officer primarily uses a measure of profit for the year before tax and exceptional items to assess the performance of the operating segments.

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

- Polyolefin Foams: these foams are made from olefinic homopolymer and copolymer resin. The most common resin used is polyethylene.
- High-Performance Products ('HPP'): these foams exhibit high performance on certain key properties, such as improved chemical, flammability or temperature performance or energy management performance. Turnover in the segment is currently mainly derived from products manufactured from three main polymer types: PVDF fluoropolymer, polyamide (nylon) and thermoplastic elastomer. Foams are sold under the brand name ZOTEK® while technical insulation products manufactured from certain materials are branded as T-FIT®.
- MuCell Extrusion LLC ('MEL'): licenses microcellular foam technology and sells related machinery. Recently, a variation of this technology has been used to create ReZorce®, a recyclable, mono-material barrier packaging solution.

	Polyolefin Foams		HPP		MEL		Consolidated	
Six Months ended (Unaudited)	**30-Jun-22**	30-Jun-21	**30-Jun-22**	30-Jun-21	**30-Jun-22**	30-Jun-21	**30-Jun-22**	30-Jun-21
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Group revenue	**34,286**	27,309	**23,706**	19,573	**1,053**	1,282	**59,045**	48,164
Segment profit/(loss) pre-amortisation	**1,720**	1,345	**6,458**	3,899	**(434)**	(10)	**7,744**	5,234
Amortisation of acquired intangible assets	**-**	-	**-**	-	**(145)**	(124)	**(145)**	(124)
Segment profit/(loss)	**1,720**	1,345	**6,458**	3,899	**(579)**	(134)	**7,599**	5,110
Foreign exchange gains	**-**	-	**-**	-	**-**	-	**59**	600
Unallocated central costs	**-**	-	**-**	-	**-**	-	**(1,097)**	(1,057)
Operating profit							**6,561**	4,653
Financing costs	**-**	-	**-**	-	**-**	-	**(899)**	(613)
Share of loss from joint venture	**-**	-	**-**	-	**-**	-	**42**	(36)
Profit before taxation							**5,704**	4,004
Taxation	**-**	-	**-**	-	**-**	-	**(1,134)**	(842)
Profit for the period	**-**	-	**-**	-	**-**	-	**4,570**	3,162
Depreciation and Amortisation:								
Depreciation	**2,582**	2,402	**482**	528	**147**	50	**3,211**	2,980
Depreciation of right-of-use assets	**155**	152	**34**	47	**70**	66	**259**	265
Amortisation	**221**	291	**69**	129	**145**	124	**435**	544
Capital expenditure:								
Property, plant and equipment (PPE)	**1,917**	2,039	**382**	447	**183**	479	**2,482**	2,965
Intangible assets	**50**	38	**17**	13	**727**	277	**794**	328

Unallocated assets and liabilities are made up of corporation tax and deferred tax assets and liabilities.

	Polyolefin Foams		HPP		MEL		Consolidated	
Six Months ended (Unaudited)	**30-Jun-22**	31-Dec-21	**30-Jun-22**	31-Dec-21	**30-Jun-22**	31-Dec-21	**30-Jun-22**	31-Dec-21
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Segment Assets	**118,214**	107,633	**42,450**	40,189	**11,912**	9,601	**172,576**	157,423
Unallocated Assets	**-**	-	**-**	-	**-**	-	**430**	492
Total Assets							**173,006**	157,915
Segment liabilities	**(45,533)**	(40,795)	**(18,151)**	(15,224)	**(1,688)**	(883)	**(65,372)**	(56,902)
Unallocated liabilities	**-**	-	**-**	-	**-**	-	**(3,828)**	(3,238)
Total liabilities							**(69,200)**	(60,140)

Geographical segments

Polyolefin Foams, HPP and MEL are managed on a worldwide basis but operate from the UK, Europe, USA and Asia 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 (Unaudited) £`000	**Europe (Unaudited) £`000**	**North America (Unaudited) £`000**	**Rest of World (Unaudited) £`000**	**Total (Unaudited) £`000**
For the period ended 30 June 2022					
Group revenue from external customers	**6,113**	**16,624**	**12,943**	**23,365**	**59,045**
Non-current assets	**43,431**	**20,036**	**39,539**	**451**	**103,457**
Capital expenditure - PPE	**1,376**	**65**	**1,019**	**22**	**2,482**
For the period ended 30 June 2021					
Group revenue from external customers	5,609	13,547	8,522	20,486	48,164
Non-current assets	43,982	20,476	34,196	463	99,117
Capital expenditure - PPE	1,160	568	1,231	6	2,965

Major customers

Revenue from one customer of the Group located in "Rest of World" contributed £19,540k (2021: £16,496k) to the Group's revenue.

Analysis of revenue by category

Breakdown of revenue by products and services for the Group:

	Six months ended	
	30-Jun-22	30-Jun-21
	(Unaudited)	(Unaudited)
	£'000	£'000
Sale of foam	**57,560**	46,793
Sale of equipment	**568**	462
Licence and royalty income	**917**	909
Group Revenue	**59,045**	48,164

7. INCOME TAX EXPENSE

	Six months ended	
	30-Jun-22	30-Jun-21
	(Unaudited)	(Unaudited)
	£'000	£'000
UK corporation tax	**774**	259
Overseas tax	**56**	39
Total current tax	**830**	298
Deferred tax	**304**	544
Income tax expense	**1,134**	842

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period to 30 June 2022 is 19.88% (the estimated average annual tax rate for the period ended 30 June 2021 was 21.04%).

8. DIVIDENDS

A dividend of £2,131k (2021: £2,058k) that relates to the period to 31 December 2021 was paid in May 2022.

An interim dividend of 2.18 pence per share was approved by the Board of Directors on 8 August 2022 (2021: 2.10 pence per share). It is payable on 7 October 2022 to shareholders who are on the register at 9 September 2022. This interim dividend, amounting to £1,060k (2021: £1,018k), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year to 31 December 2022.

9. EARNINGS PER SHARE

Earnings per ordinary share is calculated by dividing the consolidated profit after tax attributable to equity holders of the Parent Company of £4,570k (2021: £3,162k) by the weighted average number of shares in issue during the period, excluding own shares held by employee trusts which are administered by independent trustees. The number of shares held in the trust at 30 June 2022 was 138,151 (2021: 196,888). 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 Earnings per share.

	Six months ended	
	30-Jun-22	30-Jun-21
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue[1]	**48,490,547**	48,467,429
Deemed issued for no consideration	**1,129,822**	973,546
Diluted number of ordinary shares issued	**49,620,369**	49,440,975

[1] Own shares held by employee trusts have already been deducted.

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Under construction £'000	Total £'000
Cost					
At 1 January 2022	45,776	110,791	3,871	4,466	164,904
Additions	-	201	23	2,258	2,482
Disposals	-	(9)	(560)	-	(569)
Transfers	219	3,704	113	(4,036)	-
Effect of movement in foreign exchange	1,338	4,428	133	166	6,065
At 30 June 2022	**47,333**	**119,115**	**3,580**	**2,854**	**172,882**
Accumulated depreciation					
At 1 January 2022	14,160	56,361	2,982	-	73,503
Depreciation charge	696	2,357	158	-	3,211
Disposals	-	(9)	(560)	-	(569)
Effect of movement in foreign exchange	590	1,419	101	-	2,110
At 30 June 2022	**15,446**	**60,128**	**2,681**	**-**	**78,255**
Net book value					
At 31 December 2021	31,616	54,430	889	4,466	91,401
At 30 June 2022	**31,887**	**58,987**	**899**	**2,854**	**94,627**

11. INTEREST-BEARING LOANS AND BORROWINGS

	30-Jun-22	31-Dec-21
	(Unaudited)	(Audited)
	£'000	£'000
Current bank borrowings	**44,743**	26,564
Non-current bank borrowings	**-**	14,710
	44,743	41,274

In March 2022, the Group completed a bank refinancing and selected Handelsbanken and NatWest, the incumbents, to continue as its lenders. Under the terms of the new facility, the Group's gross finance facility are a £50m multi-currency revolving credit facility, with a £25m accordion, on a 4+1 tenor, and an interest rate ratchet on slightly improved terms to the previous facility, with a small element related to the achievement of sustainability targets. The finance cost and leverage covenants remain in place, with the former remaining at 4:1 and the latter increasing to 3.5:1 from 3.0:1

At 30 June 2022, the Group has utilised £45.4m (31 December 2021: £41.6m) of its multi-currency revolving credit facility of £50m. The total amount of £45.4m, repayable on the last day of each loan interest period, which is either of a 3 or 6 month duration, includes £0.7m origination fees paid up front and being amortised over 4 years.

The interest rate on debt facility ranges between 1.60% and 2.67% in H1 (2021 between 1.60% and 2.35%).

12. RELATED PARTY TRANSACTIONS

There were no material related party transactions requiring disclosure for the periods ended 30 June 2022 and 30 June 2021.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair value estimation
To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2022 and 30 June 2021:

30-Jun-22	**Level 1 (Unaudited) £'000**	**Level 2 (Unaudited) £'000**	**Level 3 (Unaudited) £'000**	**Total (Unaudited) £'000**
Assets				
Forward exchange contracts	-	1	-	**1**
Total assets	-	1	-	**1**
Liabilities				
Forward exchange contracts	-	(2,799)	-	**(2,799)**
Total liabilities	-	(2,799)	-	**(2,799)**

30-Jun-21	Level 1 (Unaudited) £'000	Level 2 (Unaudited) £'000	Level 3 (Unaudited) £'000	Total (Unaudited) £'000
Assets				
Forward exchange contracts	-	868	-	868
Total assets	-	868	-	868
Liabilities				
Forward exchange contracts	-	(156)	-	(156)
Total liabilities	-	(156)	-	(156)

The forward exchange contracts have been measured at fair value using forward exchange rates that are quoted in an active market.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure an instrument at fair value are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Group's valuation process
Derivative financial instruments are valued using Handelsbanken and NatWest mid-market rates (2021: Handelsbanken and NatWest mid-market rates) at the Statement of Financial Position date.

The Group also has a number of financial instruments which are not measured at fair value in the Statement of Financial Position. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. The fair value of the following financial assets and liabilities approximate to their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

Financial assets and liabilities measured at amortised cost
The fair value of borrowings is as follows:

	30-Jun-22	30-Jun-21
	(Unaudited)	(Unaudited)
	£'000	£'000
Current	**44,743**	26,717
Non-current	-	14,272
Total	**44,743**	40,989

The fair value of financial asset excluding cash and cash equivalents is as follows:

	30-Jun-22	30-Jun-21
	(Unaudited)	(Unaudited)
	£'000	£'000
Non-current trade receivables	**59**	35
Trade Receivables	**34,253**	26,112
Total	**34,312**	26,147

14. CAPITAL COMMITMENTS
Capital expenditure commitments of £1,403k (2021: £1,540k) have been contracted for at the end of the reporting period but not yet incurred, and are in respect of Property, Plant and Equipment.

15. EVENTS OCCURING AFTER THE REPORTING PERIOD
There are no material events occurring after the reporting period.

16. STANDARDS ISSUED BUT NOT EFFECTIVE

i) New standards and amendments – applicable 1 January 2022

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2022:

	Effective for accounting periods beginning on or after	Impact
Business Combinations – Reference to Conceptual Framework – Amendments to IFRS 3	1 January 2022	None
Property, Plant and Equipment – Amendments to IAS16	1 January 2022	None
Provisions, Contingent Liabilities and Contingent Assets – Amendments to IAS 37	1 January 2022	None
Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022	None

ii) Forthcoming requirements

As at 30 June 2022, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 30 June 2022.

	Effective for accounting periods beginning on or after	Expected Impact
Income Taxes – Deferred Tax related to asset and liabilities arising from a single transaction – Amendments to IAS 12	TBC	None
Accounting Policies, Changes in Accounting Estimates and Errors – Amendments to IAS 8	TBC	None
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	TBC	None