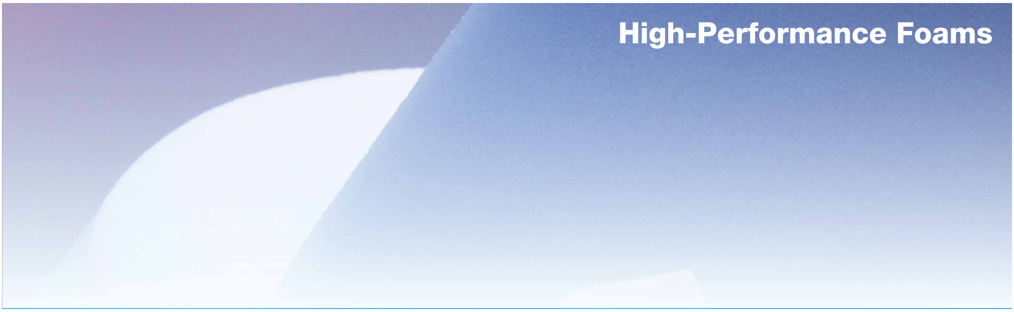
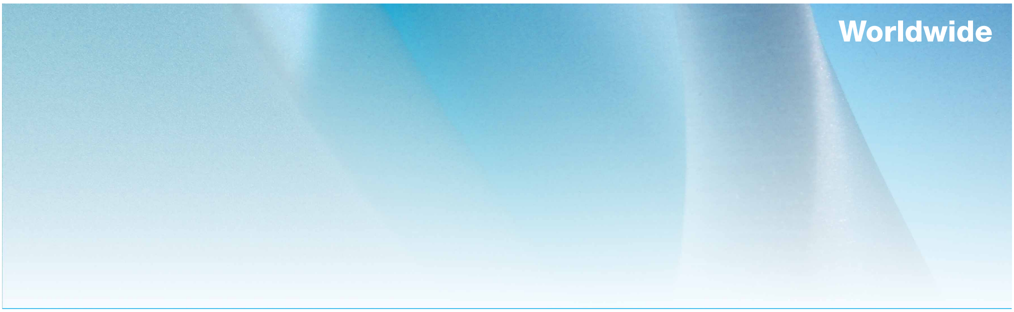
ZOTEFOAMS

Interim Report 2010





Welcome to Zotefoams

Zotefoams is the world's leading manufacturer of cross-linked block foams. The global appeal of its high-performance foams ensures that Zotefoams' products are used in a wide range of markets including sports and leisure, packaging, aerospace, automotive, medical and construction as well as general industrial and consumer products.

Our strategy is to expand sales internationally and broaden our market appeal with unique new products supported by our commitment to quality, innovation and customer service.

We are focused on achieving this while continuing to improve our operating margins, our return on capital employed and delivering our prime goal of sustained profit growth.

Contents

Front cover image
Azote® foam

Highlights

- **Revenue up by 26% to £19.64 million (H1 2009: £15.58 million)**
- **Profit before tax increased by 83% to £2.92 million (H1 2009: £1.59 million pre-exceptional items)**
- **HPP (High-Performance Polymers) foams sales grew by 48% to £0.97 million**
- **Net cash of £0.2 million at 30 June 2010 (net debt of £1.60 million at 30 June 2009)[1]**
- **Interim dividend maintained at 1.5 pence per share**

1 Net cash/net debt are defined as cash less bank overdrafts and other bank borrowings.

Chairman's Statement
by Nigel Howard

In the first six months of 2010, Zotefoams has grown revenue strongly in all major markets leading to a significant increase in profit and a positive net cash position at the period end.

Introduction

I am pleased to report that in the first six months of 2010, Zotefoams has grown revenue strongly in all major markets leading to a significant increase in profit and a positive net cash position at the period end. For the six months ended 30 June 2010, revenues of £19.64 million represented an increase of 26% against the same period last year (2009: £15.58 million) and profit before tax increased by 83% to £2.92 million (2009: £1.59 million before exceptional items). Basic earnings per share increased to 6.0p (2009: 3.1p before exceptional items) and the Board has decided that the interim dividend of 1.5p (2009: 1.5p) should be maintained. At 30 June 2010, we had net cash of £0.2 million (net debt of £1.60 million at 30 June 2009 and £0.43 million at 31 December 2009).

Financial and Operational Review

Sales of polyolefin foams increased by 25% to £18.67 million (2009: £14.92 million) and High-Performance Polymers ("HPP") sales increased by 48% to £0.97 million (2009: £0.66 million). Currency rates were slightly less favourable than in 2009 and the cost of low-density polyethylene (LDPE), our major raw material, was 42% higher in sterling terms than in the comparable period in 2009. Overall gross margins, excluding exceptional items, were relatively stable at 32.5% of sales (2009: 33.8%). To limit short term exchange volatility the Group's policy has been and continues to be to hedge a substantial proportion of its foreign exchange exposure. Currency contracts are placed on a rolling basis nine months forward and the realised gains or losses on these hedging instruments are shown in administrative expenses along with any translation gains or losses taken to the Income Statement from movements on foreign currency denominated assets and liabilities. For the six months ended 30 June 2010 a loss of £0.24 million (2009: a loss of £0.95 million) was included in administrative expenses relating to these foreign currency items.

Polyolefin Foams

During the period sales increased strongly in all major geographic markets from the low levels experienced in the first half of 2009. Overall sales were £18.67 million (2009: £14.92 million) and operating profit was £3.19 million (2009: £1.96 million before exceptional items) from this segment. Demand from automotive and specialty packaging markets was buoyant, particularly in continental Europe where sales grew by 33% in constant currency. Demand has been strong from northern Europe, and Germany in particular, while in southern Europe sales were broadly flat with recovery in most areas offset by a decline in sales to Spain. In the UK, we have experienced a broad-based recovery with sales increasing by 14%. Sales growth of 27% in North America has been driven by a strong recovery in the medical, construction, sports and leisure, packaging and automotive markets. In Asia, volumes increased by 74% and Asian polyolefin sales are now approximately 5% of Group polyolefin sales and growing strongly. Overall the polyolefin business is performing well and we are investing in further low-pressure capacity in our Croydon facility to meet the future demands of this business. The majority of our capital expenditure planned for the second half of 2010 and into early 2011 is in relation to this segment of our business.

HPP Foams

Our strategy is to continue to exploit our unique manufacturing process in the development of HPP foams. Sales in this segment increased by 48% from £0.66 million to £0.97 million over the comparable period in 2009 and we have a strong order book going into the second half of 2010 underpinning our expectations for another year of growth. We continue to invest significantly in research and development, marketing resource and production scale up of products in our HPP family. ZOTEK® F fluoropolymer foams, sold mainly into the aviation market, and T-Tubes™ advanced tube and pipe insulation systems are both established products within our portfolio and were both profitable in the six months to 30 June 2010. ZOTEK® N nylon foams are at the early stages of commercialisation and our microZOTE® olefinic roll foams, using technology licensed from our associate company MuCell Extrusion LLC ("MuCell"), is at late stage development of the first commercial products, and therefore development, marketing and production scale up costs exceed revenues for these products. Overall the operating loss for this segment during the period was £0.24 million (2009: £0.27 million) of which amortisation and depreciation costs associated with our investment in microZOTE® were £0.07 million (2009: £0.03 million).

MuCell

On 8 July 2008, we acquired a 30% shareholding in a joint venture, MuCell, partnering with Trexel Inc. of Massachusetts, USA to exploit and develop microcellular foam technology for extrusion. From 1 July 2010 to 30 June 2011, Zotefoams has an option to acquire 100% control of MuCell and this is described more fully in note 9 to the Interim Financial Statements. During the first six months of 2010, Zotefoams' share of MuCell's profits after amortisation was £88,000 (2009: £94,000). While good progress was made in a number of applications and licence agreements signed or in late stage development, the net profit of this business was at similar levels to 2009. During the period MuCell agreed to allow deferral of a customer licence payment anniversary date for a technology under development which had not met a milestone target and no licence revenue was recognised from this licencee in the period. Excluding this licence the underlying licence and royalty revenue of MuCell increased by 27% and EBITDA, which we use as a primary measure of MuCell's performance, increased by 39% over the comparable period in 2009. We received a cash distribution from MuCell of USD $124,000 in the period bringing our share of the total cash received in the two years since investing in MuCell to USD $312,000.

Tax and Cash Flow

The Group's effective tax rate for the period was 24% (2009: 29% pre-exceptional items).

Chairman's Statement continued

EBITDA pre-exceptional items was £4.54 million (2009: £3.30 million). There was a £1.47million increase in working capital reflecting the higher sales in the period which resulted in cash generated from operations of £2.81 million (2009: £3.34 million).
Tax paid of £0.48 million was less than that paid in the equivalent period of 2009 (2009: £0.81 million) because of the lower profit in 2009 compared to 2008. Capital expenditure was £0.84 million lower than in the first half of 2009 due to the phasing of capital projects. This led to a movement in net debt from a £0.43 million net debt balance at 31 December 2009 to a net cash balance at 30 June 2010 of £0.20 million.

Capital Investment

Capital expenditure for the six months ended 30 June 2010 was £0.87 million (2009: £1.72 million) mainly on our Croydon site. We completed and commissioned the extrusion equipment to run our microZOTE® roll foam line although it is anticipated there will be further, relatively small, investment in this line to further develop our capability over time. We are investing to increase capacity in our polyolefin and ZOTEK® block foams with a large "final stage" low-pressure foam expansion autoclave due on site in August 2010 for commissioning early in 2011.

Employees

On behalf of the Board I would like to thank all of our employees whose talent, dedication and effort have contributed to the success of Zotefoams.

Dividend

The Directors have declared a maintained dividend of 1.5p net per share (2009: 1.5p). The dividend will be paid on 14 October 2010 to shareholders on the Company's register at the close of business on 17 September 2010.

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 33 of the 2009 Annual Report and Accounts.
The specific principal risks (which could impact Zotefoams' revenues, 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 2009 Annual Report and Accounts. Broadly, these risks include operational disruption, supply chain disruption, technological change and competitor activity, foreign exchange, financing and pensions liabilities.

Outlook

During the first half of the year, traditionally our stronger trading period, we have seen a broad-based recovery in demand for our polyolefin products across geographical and product markets.
Shipments from July and orders for August show strong growth compared to the same period last year. In the second half of 2010 we expect continued growth in HPP sales underpinned by orders already received and supported by our investment in product development and marketing. Prices for LDPE, the major raw material used in our core polyolefin business, have risen consistently over the first six months of 2010 and current prices denominated in euros are approximately 30% higher than the average price for the second half of 2009. We enter the second half of the year cautious about macroeconomic conditions but confident in the position of Zotefoams within the markets in which we operate.

N G Howard
Chairman
2 August 2010

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

Responsibility Statement of the Directors in Respect of the Interim Financial Report

We confirm that to the best of our knowledge:

(a) the condensed consolidated set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules (disclosure of related party transactions and changes therein).

By order of the Board

N G Howard
Chairman
2 August 2010

C G Hurst
Finance Director
2 August 2010

Consolidated Income Statement

for the six months ended 30 June 2010

		Six months ended 30 June 2010	Six months ended 30 June 2009			Year ended 31 December 2009		
	Note	**£000**	Pre-exceptional items £000	Exceptional items (see note 5) £000	Post-exceptional items £000	Pre-exceptional items £000	Exceptional items (see note 5) £000	Post-exceptional items £000
Revenue	4	**19,641**	15,578	—	15,578	31,816	—	31,816
Cost of sales		**(13,252)**	(10,309)	(353)	(10,662)	(21,941)	(312)	(22,253)
Gross profit		**6,389**	5,269	(353)	4,916	9,875	(312)	9,563
Distribution costs		**(1,472)**	(1,314)	(38)	(1,352)	(2,745)	(38)	(2,783)
Administrative expenses		**(1,966)**	(2,264)	(85)	(2,349)	(3,714)	(59)	(3,773)
Operating profit	4	**2,951**	1,691	(476)	1,215	3,416	(409)	3,007
Financial income		**554**	416	—	416	810	—	810
Finance costs		**(673)**	(608)	—	(608)	(1,168)	—	(1,168)
Share of profit from associate		**88**	94	—	94	99	—	99
Profit/(loss) before tax		**2,920**	1,593	(476)	1,117	3,157	(409)	2,748
Taxation	6	**(712)**	(466)	125	(341)	(690)	106	(584)
Profit/(loss) for the year		**2,208**	1,127	(351)	776	2,467	(303)	2,164
Attributable to:								
Equity holders of the parent		**2,208**	1,127	(351)	776	2,467	(303)	2,164
Earnings per share								
Basic (p)	8	**6.0**			2.1			5.9
Diluted (p)	8	**5.9**			2.0			5.8

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2010

	Six months ended 30 June 2010 £000	Six months ended 30 June 2009 £000	Year ended 31 December 2009 £000
Profit for the period	**2,208**	776	2,164
Other comprehensive income			
Foreign exchange translation differences on investment in foreign subsidiary/associate	**756**	(1,496)	(1,251)
Effective portion of changes in fair value of cash flow hedges net of recycling	**161**	1,627	1,228
Actuarial losses on defined benefit schemes	**—**	—	(2,698)
Tax relating to components of other comprehensive income	**(45)**	(455)	411
Other comprehensive income/(expenditure) for the period, net of tax	**872**	(324)	(2,310)
Total comprehensive income/(expenditure) for the period	**3,080**	452	(146)
Attributable to equity holders of the parent	**3,080**	452	(146)

Consolidated Statement of Financial Position

as at 30 June 2010

	30 June 2010 £000	30 June 2009 £000	31 December 2009 £000
Non-current assets			
Property, plant and equipment	**25,528**	26,105	25,829
Intangible assets	**50**	95	75
Investment in associate	**1,816**	1,733	1,687
Deferred tax assets	**263**	188	249
Total non-current assets	**27,657**	28,121	27,840
Current assets			
Inventories	**4,696**	3,637	4,382
Trade and other receivables	**9,811**	7,603	7,729
Cash and cash equivalents	**2,669**	1,637	2,975
Total current assets	**17,176**	12,877	15,086
Total assets	**44,833**	40,998	42,926
Current liabilities			
Interest-bearing loans and borrowings	**(660)**	(760)	(660)
Bank overdraft	**—**	—	(611)
Tax payable	**(786)**	(407)	(547)
Trade and other payables	**(4,770)**	(3,007)	(4,132)
Total current liabilities	**(6,216)**	(4,174)	(5,950)
Non-current liabilities			
Interest-bearing loans and borrowings	**(1,806)**	(2,475)	(2,134)
Employee benefits	**(5,544)**	(3,291)	(5,783)
Deferred tax liabilities	**(1,418)**	(2,432)	(1,377)
Total non-current liabilities	**(8,768)**	(8,198)	(9,294)
Total liabilities	**(14,984)**	(12,372)	(15,244)
Total net assets	**29,849**	28,626	27,682
Equity			
Issued share capital	**1,915**	1,915	1,915
Own shares held	**(73)**	(95)	(95)
Share premium	**13,941**	13,941	13,941
Capital redemption reserve	**15**	15	15
Translation reserve	**1,796**	795	1,040
Hedging reserve	**125**	363	(36)
Retained earnings	**12,130**	11,692	10,902
Total equity attributable to the equity holders of the parent	**29,849**	28,626	27,682

Consolidated Statement of Cash Flows

for the six months ended 30 June 2010

	Six months ended 30 June 2010 £000	Six months ended 30 June 2009 £000	Year ended 31 December 2009 £000
Cash flows from operating activities:			
Profit for the period	**2,208**	776	2,164
Adjustments for:			
Depreciation, amortisation and impairment	**1,589**	1,604	3,588
Loss on sale of plant and equipment	**—**	—	90
Financial income	**(554)**	(416)	(810)
Finance costs	**673**	608	1,168
Share of income from associate	**(88)**	(94)	(99)
Equity-settled share-based payments	**72**	54	211
Taxation	**712**	341	584
Operating profit before changes in working capital and provisions	**4,612**	2,873	6,896
(Increase)/decrease in trade and other receivables	**(1,756)**	1,037	577
(Increase)/decrease in inventories	**(251)**	582	(152)
Increase/(decrease) in trade and other payables	**534**	(769)	435
Decrease in provisions and employee benefits	**(330)**	(385)	(715)
Cash generated from the operations	**2,809**	3,338	7,041
Interest paid	**(31)**	(65)	(110)
Tax paid	**(480)**	(810)	(1,123)
Net cash from operating activities	**2,298**	2,463	5,808
Interest received	**2**	17	18
Acquisition of property, plant and equipment	**(874)**	(1,715)	(3,431)
Distribution from associate	**81**	3	104
Net cash used in investing activities	**(791)**	(1,695)	(3,309)
Proceeds from issue of share capital	**307**	—	—
Repurchase of own shares	**(212)**	—	—
Net borrowings raised	**—**	3,300	3,289
Repayment of borrowings	**(328)**	(365)	(795)
Dividends paid	**(1,100)**	(1,091)	(1,638)
Net cash (used)/generated from financing activities	**(1,333)**	1,844	856
Net increase in cash and cash equivalents	**174**	2,612	3,355
Cash and cash equivalents at 1 January	**2,364**	(852)	(852)
Effect of exchange rate fluctuations on cash held	**131**	(123)	(139)
Cash and cash equivalents at the end of period	**2,669**	1,637	2,364

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

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2010

	Share capital £000	Own shares held £000	Share premium £000	Capital redemption reserve £000	Translation reserve £000	Hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2010	1,915	(95)	13,941	15	1,040	(36)	10,902	27,682
Shares issued	—	31	—	—	—	—	286	317
Shares acquired	—	(9)	—	—	—	—	(203)	(212)
Total recognised income and expense	—	—	—	—	756	161	2,163	3,080
Equity-settled share-based payment transactions net of tax	—	—	—	—	—	—	82	82
Dividends	—	—	—	—	—	—	(1,100)	(1,100)
Balance at 30 June 2010	**1,915**	**(73)**	**13,941**	**15**	**1,796**	**125**	**12,130**	**29,849**

During the six month period ending 30 June 2010, 217,775 shares vested. 621,490 shares were issued from the Zotefoams EBT following the exercise of these and previous vested options and 196,544 shares were acquired by the EBT to meet the exercise of options in the future.

	Share capital £000	Own shares held £000	Share premium £000	Capital redemption reserve £000	Translation reserve £000	Hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2009	1,889	(69)	13,941	15	2,291	(1,264)	12,418	29,221
Shares issued	26	(26)	—	—	—	—	—	—
Total recognised income and expense	—	—	—	—	(1,496)	1,627	321	452
Equity-settled share-based payment transactions net of tax	—	—	—	—	—	—	44	44
Dividends	—	—	—	—	—	—	(1,091)	(1,091)
Balance at 30 June 2009	1,915	(95)	13,941	15	795	363	11,692	28,626

Notes to the Interim Financial Statements

for the six months ended 30 June 2010

1. Basis of Preparation

This condensed set of 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 Services Authority, the condensed set of 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 2009. Those consolidated financial statements were prepared in accordance with IFRSs as adopted by the EU.

The condensed set of interim financial statements for the period ended 30 June 2010 is unaudited but has been reviewed by the auditors. The prior year comparatives are derived from audited financial information for Zotefoams plc as set out in the Annual Report for the year ended 31 December 2009 and the unaudited financial information in the interim financial statements for the period ended 30 June 2009. The Independent Review Report to Zotefoams plc from the independent auditor is set out at the end of this document.

The comparative figures for the financial year ended 31 December 2009 are not the Company’s statutory accounts for that financial year. Those accounts have been reported on by the Company’s auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498(2) or (3) 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 2009.

2. 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 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 cyclicality.

The Company’s associate, MuCell Extrusion LLC, has 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 cyclicality including changes to its licence portfolio.

Notes to the Interim Financial Statements

for the six months ended 30 June 2010

3. 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 2009.

4. Segment Reporting

The Group manufactures and sells high-performance foams for specialist markets worldwide.

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

Management considers Zotefoams' business to comprise two segments best categorised by their constituent raw materials and technologies:

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

- High-Performance Polymers (HPP) foams. This segment includes foams that exhibit high-performance on certain key properties, such as improved chemical, flammability or temperature performance, due to the resins on which they are based. Also included in this segment are our microZOTE® olefinic roll foams where the product form and markets are significantly different from our block polyolefin foam business. Turnover in the segment is mainly derived from our ZOTEK® F foams made from PVDF fluoropolymer.

Six months ended 30 June 2010	**Polyolefins £000**	**HPP £000**	**Consolidated £000**
Revenue	**18,669**	**972**	**19,641**
Operating profit/(loss)	**3,191**	**(240)**	**2,951**

Six months ended 30 June 2009	Polyolefins £000	HPP £000	Consolidated £000
Revenue	14,923	655	15,578
Operating profit/(loss) pre-exceptional items	1,957	(266)	1,691

5. Exceptional Items

In 2009 the Company classified the costs of a restructuring programme which resulted in the termination of employment of 33 employees as an exceptional item. The costs incurred in this restructuring were £439,000 comprising termination payments, advisory and other associated costs. There was also a £30,000 adjustment credited to exceptional items in 2009 on a VAT refund in relation to a prior year's exceptional item.

6. Taxation

	Six months ended 30 June 2010 £000	Six months ended 30 June 2009 £000
Current tax:		
UK corporation tax	**697**	**269**
Foreign taxation	**21**	**12**
	718	**281**
Deferred tax	**(6)**	**60**
	712	**341**

The Group's consolidated effective tax rate for the six months ended 30 June 2010 was 24% (2009: 29% pre-exceptional items).

7. Dividends

	Six months ended 30 June 2010 £000	Six months ended 30 June 2009 £000
Final dividend for the year ended 31 December 2009 of 3.0p (2008: 3.0p) per share	1,100	1,091

The final dividend for the year ended 31 December 2009 was paid on 20 May 2010.

A proposed interim dividend for the year ending 31 December 2010 of 1.5p per share (2009: 1.5p) was approved by the Board on 2 August 2010 and has not been included as a liability as at 30 June 2010.

Notes to the Interim Financial Statements

for the six months ended 30 June 2010

8. Earnings Per Share

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

	Six months ended 30 June 2010 £000	Six months ended 30 June 2009 £000
Earnings		
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	**2,208**	**776**
Earnings for the purposes of diluted earnings per share	**2,208**	**776**

Number of shares	**Number**	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**36,602,115**	**36,402,608**
Effect of dilutive potential ordinary shares:		
Share options and Long-Term Incentive Plans	**1,093,053**	**1,909,236**
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**37,695,168**	**38,311,844**

9. Subsequent Events

Zotefoams Inc. owns 30% of the units in MuCell Extrusion LLC ("MuCell") with an option to increase its unit holding to 100%.This option is exercisable from 1 July 2010 to 30 June 2011. Under IFRS 3 (revised) Zotefoams Inc. is therefore deemed to have a controlling interest in MuCell from 1 July 2010 requiring MuCell to be consolidated in Zotefoams' consolidated group accounts from that date even though Zotefoams has not yet exercised the option.

In the Zotefoams' Annual Report and Accounts for 2009 MuCell had the following assets and liabilities:

At 31 December:	2009 £000	2008 £000
Goodwill	2,798	3,159
Intangible assets	2,129	2,642
Tangible assets	31	27
Current assets	288	243
Cash	268	173
Total assets	5,514	6,244
Total liabilities	(121)	(127)
Net assets	5,393	6,117

9. Subsequent Events continued

For the period ended 31 December:	2009 £000	2008 £000
Revenue	1,651	315
Amortisation	(217)	(90)
Gain/(loss) after amortisation	330	(90)

MuCell Extrusion LLC was created on 1 July 2008 and therefore the above 2008 results reflect six months trading from 1 July 2008 to 31 December 2008.

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

As at 1 July 2010, the date of deemed controlling interest, IFRS 3 (revised) requires that the value of the intangible assets, associated amortisation charge and goodwill of MuCell are re-assessed. The assets and liabilities of MuCell from 1 July 2010 will be included in Zotefoams' consolidated statement of financial position with a deduction in equity as a minority interest for the 70% of MuCell's net assets to reflect the shareholding in MuCell which Zotefoams does not own. The income statement for MuCell will be consolidated in Zotefoams' consolidated income statement with a deduction as a minority interest below profit after tax of 70% of MuCell's profit after tax to reflect the shareholding in MuCell that Zotefoams does not own.

Should Zotefoams not exercise the option by 30 June 2011 to acquire MuCell then MuCell will no longer be consolidated in the Zotefoams' consolidated group accounts as Zotefoams Inc. would no longer be deemed to have a controlling interest from 1 July 2011. Zotefoams' interest in MuCell would then revert to being treated as an associate in the same manner that it has been treated in these consolidated interim accounts to 30 June 2010.

Independent Review Report to Zotefoams plc

We have been engaged by Zotefoams plc to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cashflows, the consolidated statement of changes in equity and the related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements. This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA. As disclosed in note 1, the annual financial statements of the Zotefoams plc are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our Responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

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 UK. 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 financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

D A Bowen
For and on behalf of:

KPMG Audit Plc
Chartered Accountants
1 Forest Gate, Brighton Road
Crawley, RH11 9PT
United Kingdom
2 August 2010

Designed & Produced by ckd
www.ckdcorp.co.uk

Printed by
Empress Litho
http://www.empresslitho.com

ZOTEFOAMS

Zotefoams plc
675 Mitcham Road
Croydon CR9 3AL
United Kingdom

T +44 (0)20 8664 1600
F +44 (0)20 8664 1616
info@zotefoams.com
www.zotefoams.com