Tuesday 4 August 2015

Zotefoams plc

Interim Results for the Six Months Ended 30 June 2015

Zotefoams plc ("Zotefoams", or "the Group" or "the Company"), a world leader in cellular material technology, today announces its interim results for the six months ended 30 June 2015.

Highlights

- Total Revenue[1] increased by 8% to a record £26.6m
- MuCell Extrusion revenue growth of 39%
- High-Performance Products revenue growth of 23%
- Gross margin excluding exceptional items[2] of 29.8% (2014:27.3%)
- Operating profit excluding exceptional items increased 20% in constant currency[3]
- 47% increase in Cash generated from Operations to £5.0m (2014:£3.4m)
- All business units have strong forward order books
- Investment in global manufacturing capacity in Kentucky, USA proceeding to plan
- Interim dividend increased by 3% to 1.80 pence

Financial highlights

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Change %	Change in constant currency %
Total Revenue	26.63	24.70	8	10
Group Revenue	26.49	24.65	7	10
Gross Profit excluding exceptional items	7.94	6.73	18	20
Operating Profit excluding exceptional items	3.17	3.00	6	20
Adjusted profit[4] before tax excluding exceptional items	3.19	3.02	6	19
Profit before tax excluding exceptional items	3.02	2.87	5	20
Profit before tax	3.02	1.61	88	
Basic eps excluding exceptional items (p)	5.5	5.8	(5)	
Basic eps (p)	5.5	3.2	72	
Interim dividend (p)	1.80	1.75	3	

Commenting on the results, Nigel Howard, Chairman said:

"I am delighted to report a rise of 8% in Total Revenue to a record £26.6m for the first half of the year. Zotefoams has delivered growth in all business segments. MuCell Extrusion LLC ('MEL') sales have grown by 39%, High-Performance Products grew by 23% and Polyolefin sales increased by 5%. Total Revenue increased by 10% in constant currency.

Zotefoams continues to maintain a consistent strategy and approach. We enter the second half of the year with strong order books and a portfolio of products to deliver further organic growth. We remain mindful of economic uncertainty and the impact of foreign exchange in particular, but are confident in the long-term prospects for the business."

[1] Total Revenue consolidates all external sales made by joint ventures as well as those made by Zotefoams plc and its subsidiaries.

[2] In 2014 the non-cash impairment charge made following the decision to curtail manufacturing activity on the microZOTE® extrusion line was treated as an exceptional item.
[3] Estimated impact of restating 2015 at 2014 average foreign currency exchange rates, including the restatement of gains/losses on maturing forward exchange hedges in the period at 2014 average rates which increases the profit impact by £0.25m. Balance sheet foreign exchange translation differences have not been restated.
[4] Before amortisation of acquired intangible assets.

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About Zotefoams plc

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

www.zotefoams.com

CHAIRMAN'S STATEMENT

In the first six months of 2015 Total Revenue increased by 8% to a record £26.63m (2014: 24.70m), delivering a rise of 18% in Gross Profit to £7.94m (2014: £6.73m before exceptional items). Group revenue increased by 7% to £26.49m (2014: £24.65m) and profit before tax and exceptional items rose to £3.02m (2014: £2.87m). Basic earnings per share were 5.5p (2014: 3.2p after exceptional items). The Directors have decided to increase the interim dividend by 3% to 1.80p per share (2014: 1.75p) reflecting the Board's continued confidence in the Group's future.

Macroeconomic Environment

As a predominantly UK-based exporter Zotefoams has approximately 80% of sales denominated in US Dollars and Euros. With most costs incurred in Sterling, other than our main raw materials which are denominated in Euros and some staff and operational costs which are in US Dollars, movements in foreign exchange rates can have a significant impact on our results. The average Euro rate was 1.38:£1 for the first six months of 2015 (equivalent 2014 rate 1.22:£1) and US Dollar rate was 1.53:£1 (equivalent 2014 rate 1.67:£1). The period end closing exchange rates, and in particular the movement between the period opening and closing rates, generated a non-cash translational loss of £0.44m in the period (2014: £0.29m), which is reported as an administration expense.

In constant currency, Total Revenue would have increased by 10% to £27.15m and we estimate profit before tax and exceptional items would have increased by 20% to £3.44m.

Financial and operational review

Polyolefin Foams
Overall sales volumes of Azote® polyolefin foams increased by 7% compared with the first six months of 2014. Price and product mix were at similar levels to last year and the increase in sales volume delivered constant currency sales growth of 8%. Adverse currency movements in the Euro, partially offset by a more favourable US Dollar rate, reduced the reported Total Revenue growth to 5%. Group Revenue, which excludes the mark-up on sales made by our Azote Asia Limited joint venture, increased by 4%.

In constant currency, growth in Total Revenue in the UK was 6% and in Continental Europe was 10% while North America was relatively flat. Azote Asia Limited delivered constant currency growth of 33% and now accounts for 7% of polyolefin foams sales.

Prices for our main raw material, low density polyethylene ('LDPE'), fell rapidly in the early part of the year due to lower oil prices. However from March, prices began to increase as European demand outstripped available supply and, although overall prices are at a similar average level to the same period in 2014, the current price is approximately 20% above the average price for the first half of last year. LDPE is priced in Euros which offers a natural hedge against our Euro-denominated sales and the Sterling cost of LDPE is currently at a similar level to the average cost for the first half of 2014.

Operating profit in Polyolefin foams before exceptional items increased by 20% to £4.08m (2014: £3.41m) driven by the increase in sales volumes.

High-Performance Products ('HPP')
I am pleased to report that HPP sales increased by 23% to £3.39m (2014: £2.76m), consolidating the very strong 53% growth delivered in the previous 12 months. HPP now represents 13% of Total Revenue. Segment operating profit increased to £0.67m (2014: £0.53m) as sales growth was offset somewhat by additional development and sales and marketing expenditure.

The HPP segment comprises four main product lines based on our unique technology. North America is currently the largest market, where our fire-retardant ZOTEK® F fluoropolymer foams are specified for aviation use and growth is driven by new applications, increased adoption of existing uses and an increasing number of aircraft being built. Encouragingly sales of ZOTEK® F outside the North American market more than doubled, again mainly in aviation, benefitting from our investment in people and market development over the past few years. New projects in our speciality ZOTEK® Peba foams for kinetic-energy management and ZOTEK® N nylon foams, which exhibit high temperature resistance, delivered moderate gains in the first six months of this year, although we are very encouraged that these will further develop our market presence particularly in sports and automotive in the medium term.

Revenue from T-Tubes® insulation products, which more than doubled last year, declined in the first six months of this year due to the timing of projects, with some larger installations scheduled for the latter part of this year and into 2016. The main markets for these insulation products are in clean-rooms for pharmaceutical, biotech and semiconductor manufacture in Asia. Our joint venture with King Lai Group, announced in March this year, to manufacture insulation products from our ZOTEK® high-performance foams in China is progressing well and expected to be operational from October this year. We have begun the process of hiring additional staff in China and in Thailand where a wholly owned Zotefoams' entity will be responsible for all sales outside of China.

MuCell Extrusion LLC ('MEL')
MEL licenses microcellular foam technology and sells related machinery. Sales increased by 39% to £1.01m (2014: £0.72m) mainly as a result of equipment sales which increased 88% to £0.52m (2014: £0.28m). MEL is an early stage growth business and currently represents 4% of Group revenues with licensees mainly in consumer packaging utilising our technology to reduce the material content of their products.

Licensees have now converted 64 extrusion lines to use MuCell technology, an increase of 12 lines in the installed base during the six month period with orders for a further 18 units on hand at 30 June 2015. This compares favourably with 20 lines converted in the whole of 2014. As our technology becomes better understood, and the cost and environmental benefits are demonstrated by an increasing number of users, we expect the rate of adoption to increase. In the six months to 30 June 2015, contribution net of commissions to third parties increased by 33% and, consistent with our growth strategy for this business, we invested in excess of this into future development. Sales and development costs, which are mainly salaries and technology enhancements, increased by approximately 41% as we respond to increasing levels of interest from our target markets. MEL offers a strong platform for future growth and in the period reported an operating loss before amortisation costs of £0.22m (2014: £0.14m).

Distribution and Administration
Costs of distribution and administration are either incurred directly or allocated to each business unit according to management estimates. The main elements of administrative expenses are technical development, finance and administration, and information systems as well as the cost (or benefit) of foreign exchange hedges maturing in the period and non-cash foreign exchange translation expenses. Administrative costs excluding the impact of foreign exchange hedges and translation were £2.49m (2014: £2.04m) with the main increase resulting from IT and recruitment costs. We estimate the increase in underlying costs on a like-for-like basis, adjusted for timing differences, to be approximately 10% as we invest for future growth.

Tax and Cash Flow
Zotefoams' estimated effective tax rate for the period was 20.5% (2014: 20.5%), which is similar to the UK corporation tax rate for the period. Cash generated from operations was £5.00m (2014: £3.40m). Capital expenditure was £3.20m, £1.47m higher than depreciation and amortisation, which together with tax and dividend payments reduced net funds (cash less bank overdrafts and other bank borrowings) by £0.56m from £2.42m at 31 December 2014 to £1.86m.

Pensions
The April 2014 triennial actuarial valuation, on a Statutory Funding Objective basis, calculated a deficit for the Pension Scheme of £2.50m. As a result of this, the Company has agreed with the Trustees to make contributions to the Scheme of £41,000 per month until April 2020 to eliminate this deficit and in addition pay the ongoing Scheme expenses of £14,000 per month. This will be reviewed following the next actuarial valuation which is scheduled for April 2017.

Capital Expenditure
Zotefoams is investing significantly for future growth. Our largest project is extending our existing facility in Kentucky, USA and installing extrusion and high-pressure gassing processes to deliver approximately 20% additional global capacity for block foams. The total investment of USD $22m, of which $4.5m is an extension to existing buildings and infrastructure, is proceeding to plan and is anticipated to be operational in approximately 12 months' time. We continue to invest in our Croydon, UK facility increasing production capacity and capability, mainly in speciality extrusion, high-pressure gassing services and Group IT systems.

Planned capital investment in China, where our Kunshan ZOTEK King Lai joint venture is located, is not expected to be material to the Group.

Employees and Talent Management
Talent management is becoming increasingly important as Zotefoams grows and evolves. The opportunities we have, in new products, markets and geographies, require we identify and develop the right people to define and deliver to our potential. Over the past six months we have redefined our approach to talent management to meet the needs of the business and this is being developed as a core business practice.

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

Dividend
Reflecting the Board's continued confidence in the Group's future, the Directors have increased the interim dividend by 3% to 1.80 pence per share (2014: 1.75 pence). The dividend will be paid on 8 October 2015 to shareholders on the Company's register at the close of business on 11 September 2015.

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 Company statement of Principal Risks and Uncertainties on pages 18 to 21 of the 2014 Annual Report and Accounts. The specific principal risks (which could impact Zotefoams' sales, profits and reputation) and relevant mitigating factors, as currently identified by Zotefoams' risk management process, have not changed significantly since the publication of the last Annual Report and detailed explanations of these can be found in the 2014 Annual Report. Broadly, these risks include operational disruption, supply chain disruption, technological change and competitor activity, pension liabilities, foreign exchange, macro-economic factors, financing, commercial, IT and people.

Current Trading and Prospects
In our Azote® Polyolefin foams business we have good forward visibility across all geographic regions and expect sales volume growth to exceed that experienced in the first six months of 2015. Indications are that the price of LDPE, which has risen sharply in recent months, may not sustain this momentum, although on average it is likely that prices in the second half of 2015 will be above those in the first six months and therefore dampen Polyolefin foam margins in the short term. In our HPP business, orders plus invoiced sales for ZOTEK® technical foams currently exceed 2014 sales and in T-Tubes® insulation products we anticipate growth from a second-half weighted pipeline of bids. MEL's level of activity and current order book also provide leading indicators of strong future growth justifying our continued investment in this business. Supporting growth potential beyond 2015 we will invest further in resources during the second half of this year, increasing sales and administration, including technical, costs in the short term. Foreign exchange rates are currently unfavourable for our business and, if they remain at the current levels, we expect second half sales to be adversely impacted by approximately 3% compared to exchange rates for the same period in 2014.

Outlook
In the first half of 2015 we delivered an 8% increase in Total Revenue, 18% increase in Gross Profit before exceptional items and demonstrated confidence in the future of our business with investment in sales, development and technical resource. Zotefoams is also committed to some significant

capital investments to support our medium and longer-term growth potential. We enter the second half of the year with a strong order book and high levels of activity in all business segments. Zotefoams continues to maintain a consistent strategy and approach while being mindful of economic uncertainty and the impact of foreign exchange in particular. We therefore remain confident in the long-term prospects for the business.

N G Howard
Chairman
3 August 2015

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- an indication of important events that have occurred during the first six months and their impact on the condensed set of consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Zotefoams plc are listed in the Zotefoams plc Annual Report for 31 December 2014. A list of current directors is maintained on the Zotefoams plc website: www.zotefoams.com

The maintenance and integrity of the Zotefoams plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board:

N G Howard	C G Hurst
Chairman	Finance Director
3 August 2015	3 August 2015

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CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Note	Six months ended 30 June 2015	Six months ended 30 June 2014	Six months ended 30 June 2014	Six months ended 30 June 2014	Year ended 31 December 2014	Year ended 31 December 2014	Year ended 31 December 2014
			Pre-exceptional items (unaudited)	Exceptional items (see note 7) (unaudited)	Post-exceptional items (unaudited)	Pre-exceptional items (audited)	Exceptional items (see note 7) (audited)	Post-exceptional items (audited)
		£000	£000	£000	£000	£000	£000	£000
Total Revenue	**6**	**26,630**	**24,698**		**24,698**	**49,081**	**-**	**49,081**
Adjustment for JV sales		(141)	(50)	-	(50)	(136)	-	(136)
Group Revenue	**6**	**26,489**	**24,648**	**-**	**24,648**	**48,945**	**-**	**48,945**
Cost of sales		(18,545)	(17,915)	(1,265)	(19,180)	(36,103)	(1,265)	(37,368)
Gross profit		**7,944**	**6,733**	**(1,265)**	**5,468**	**12,842**	**(1,265)**	**11,577**
Distribution costs		(1,832)	(1,723)	-	(1,723)	(3,442)	-	(3,442)
Administrative expenses		(2,939)	(2,011)	-	(2,011)	(3,829)	-	(3,829)
Operating profit	**6**	**3,173**	**2,999**	**(1,265)**	**1,734**	**5,571**	**(1,265)**	**4,306**
Finance income		2	1	-	1	2	-	2
Finance costs		(153)	(110)	-	(110)	(235)	-	(235)
Share of loss from JVs		(5)	(19)	-	(19)	(64)	-	(64)
Profit before tax		**3,017**	**2,871**	**(1,265)**	**1,606**	**5,274**	**(1,265)**	**4,009**
Taxation	**8**	(618)	(583)	253	(330)	(926)	253	(673)
Profit for the period		**2,399**	**2,288**	**(1,012)**	**1,276**	**4,348**	**(1,012)**	**3,336**
Attributable to:								
Equity holders of the Parent		2,399	2,288		1,276	4,348	(1,012)	3,336
Earnings per share:								
Basic (p)	**10**	**5.5**	**5.8**		**3.2**	**10.7**	**-**	**8.2**
Diluted (p)	**10**	**5.4**	**5.7**		**3.2**	**10.5**	**-**	**8.1**

The notes below form part of these financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended 30 June 2015 (unaudited) £000	Six months ended 30 June 2014 (unaudited) £000	Year ended 31 December 2014 (audited) £000
Profit for the period	2,399	1,276	3,336
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Foreign exchange translation (losses)/gains on investment in foreign subsidiaries and joint ventures	(190)	(269)	669
Actuarial losses on defined benefit schemes	-	-	(2,334)
Tax relating to items that will not be reclassified	-	-	467
Total items that will not be reclassified to profit or loss	**(190)**	**(269)**	**(1,198)**
Items that may be classified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges net of recycling	604	(28)	(394)
Tax relating to items that may be reclassified	(121)	6	79
Total items that may be classified subsequently to profit or loss	**483**	**(22)**	**(315)**
Other comprehensive income/(expense) for the period, net of tax	293	(291)	(1,513)
Total comprehensive income for the period	**2,692**	**985**	**1,823**
Attributable to equity holders of the Parent	2,692	985	1,823

The notes below form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	30 June 2015 (unaudited) £000	30 June 2014 (unaudited) £000	31 December 2014 (audited) £000
Non-current assets			
Property, plant and equipment	29,781	28,559	28,561
Investments in JVs	338	219	174
Intangible assets	6,791	4,643	6,851
Deferred tax assets	458	474	502
Total non-current assets	**37,368**	**33,895**	**36,088**
Current assets			
Inventories	8,487	8,509	9,218
Trade and other receivables	14,884	13,067	13,437
Cash and cash equivalents	4,020	454	4,628
Total current assets	**27,391**	**22,030**	**27,283**
Total assets	**64,759**	**55,925**	**63,371**
Current liabilities			
Interest-bearing loans and borrowings	(726)	(709)	(718)
Tax payable	(481)	(655)	(385)
Bank overdraft	(313)	(2,156)	-
Trade and other payables	(6,876)	(6,765)	(6,715)
Total current liabilities	**(8,396)**	**(10,285)**	**(7,818)**
Non-current liabilities			
Interest-bearing loans and borrowings	(1,125)	(1,851)	(1,489)
Employee benefits	(5,912)	(4,047)	(6,132)
Deferred tax liabilities	(857)	(1,067)	(698)
Total non-current liabilities	**(7,894)**	**(6,965)**	**(8,319)**
Total liabilities	**(16,290)**	**(17,250)**	**(16,137)**
Total net assets	**48,469**	**38,675**	**47,234**
Equity			
Issued share capital	2,191	1,992	2,191
Own shares held	(9)	(18)	(17)
Share premium	24,340	16,090	24,340
Capital redemption reserve	15	15	15
Translation reserve	637	(111)	827
Hedging reserve	455	217	(149)
Retained earnings	20,840	20,490	20,027
Total equity attributable to the equity holders of the Parent	**48,469**	**38,675**	**47,234**

The notes below form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended 30 June 2015 (unaudited) £000	Six months ended 30 June 2014 (unaudited) £000	Year ended 31 December 2014 (audited) £000
Cash flows from operating activities:			
Profit for the period	2,399	1,276	3,336
Adjustments for:			
Depreciation, amortisation and impairment	1,733	3,035	4,669
Finance income	(2)	(1)	(2)
Finance costs	153	110	235
Loss from joint venture	5	19	64
Equity-settled share-based payments	136	86	138
Taxation	618	330	673
Operating profit before changes in working capital and provisions	**5,042**	**4,855**	**9,113**
Increase in trade and other receivables	(1,045)	(2,183)	(2,398)
Decrease/(increase) in inventories	765	(538)	(1,249)
Increase in trade and other payables	560	1,599	1,171
Employee benefit contributions	(330)	(330)	(660)
Cash generated from operations	**4,992**	**3,403**	**5,977**
Interest paid	(45)	(13)	(55)
Tax paid	(365)	(336)	(868)
Net cash from operating activities	**4,582**	**3,054**	**5,054**
Interest received	2	1	2
Investment in joint ventures	(169)	(238)	(238)
Acquisition of intangible assets	(300)	(6)	(1,606)
Acquisition of property, plant and equipment	(2,898)	(4,608)	(5,967)
Net cash used in investing activities	**(3,365)**	**(4,851)**	**(7,809)**
Proceeds from issue of share capital	10	3	8,453
Repurchase of own shares	(4)	-	(19)
Repayment of borrowings	(383)	(512)	(865)
Dividends paid	(1,615)	(1,421)	(2,112)
Net cash (used)/generated in financing activities	**(1,992)**	**(1,930)**	**5,457**
Net (decrease)/increase in cash and cash equivalents	(775)	(3,727)	2,702
Cash and cash equivalents at 1 January	**4,628**	**1,957**	**1,957**
Effect of exchange rate fluctuations on cash held	(146)	68	(31)
Cash and cash equivalents at the end of period	**3,707**	**(1,702)**	**4,628**

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

The notes below form part of these financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2015

	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 2015	2,191	(17)	24,340	15	827	(149)	20,027	47,234
Foreign exchange translation loss on investment in foreign subsidiaries and joint ventures	-	-	-	-	(190)	-	-	(190)
Effective portion of changes in fair value of cash flow hedges net of recycling	-	-	-	-	-	604	-	604
Tax relating to effective portion of changes in fair value of cash flow hedges net of recycling	-	-	-	-	-	-	(121)	(121)
Profit for the period	-	-	-	-	-	-	2,399	2,399
Total comprehensive (loss)/income for the period	-	-	-	-	(190)	604	2,278	2,692
Transactions with owners of the Parent								
Shares issued	-	10	-	-	-	-	-	10
Shares acquired	-	(2)	-	-	-	-	(2)	(4)
Equity-settled share-based payment transactions net of tax	-	-	-	-	-	-	152	152
Dividends paid	-	-	-	-	-	-	(1,615)	(1,615)
Total transactions with owners of the Parent	**-**	8	**-**	**-**	**-**	**-**	(1,465)	(1,457)
Balance at 30 June 2015 (unaudited)	**2,191**	**(9)**	**24,340**	**15**	**637**	**455**	**20,840**	**48,469**

During the six months period ended 30 June 2015, 82,239 shares vested and were issued from the Zotefoams Employee Benefit Trust ('EBT') following the exercise of these options.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014

	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 2014	1,992	(21)	16,090	15	158	245	20,535	39,014
Foreign exchange translation loss on investment in foreign subsidiaries and joint ventures	-	-	-	-	(269)	-	-	(269)
Effective portion of changes in fair value of cash flow hedges net of recycling	-	-	-	-	-	(28)	-	(28)
Tax relating to effective portion of changes in fair value of cash flow hedges net of recycling	-	-	-	-	-	-	6	6
Profit for the period	-	-	-	-	-	-	1,276	1,276
Total comprehensive (loss)/income for the period	**-**	**-**	**-**	**-**	**(269)**	**(28)**	**1,282**	**985**
Transactions with owners of the Parent								
Shares issued	-	3	-	-	-	-	-	3
Equity-settled share-based payment transactions net of tax	-	-	-	-	-	-	94	94
Dividends paid	-	-	-	-	-	-	(1,421)	(1,421)
Total transactions with owners of the Parent	**-**	**3**	**-**	**-**	**-**	**-**	**(1,327)**	**(1,324)**
Balance at 30 June 2014 (unaudited)	**1,992**	**(18)**	**16,090**	**15**	**(111)**	**217**	**20,490**	**38,675**

The notes below form part of these financial statements.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

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

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of consolidated interim financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2014. Those consolidated financial statements were prepared in accordance with IFRSs as adopted by the EU.

This condensed set of consolidated interim financial statements has been reviewed, but not audited, and was approved for issue on 3 August 2015. This condensed set of consolidated interim financial statements does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2014 were approved by the Board of Directors on 16 March 2015 and delivered to the Registrar of Companies. The Independent Audit on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

There were no significant changes to the pension scheme or significant changes to market conditions during the period and therefore the Company did not update its actuarial valuation during this period. The Income Statement charge is based on the set of assumptions laid out in the consolidated financial statements for the year ended 31 December 2014.

Forward-looking statements

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

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

Going Concern

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

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Group's published consolidated financial statements for the year ended 31 December 2014, as described in those consolidated financial statements with the exception of tax which is accrued based on an estimated tax rate that would be applicable to estimated annual earnings.

Joint ventures

Joint ventures are jointly controlled entities whose activities the Group has the power to control jointly, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognised income and expense and changes in equity of joint ventures on an equity accounted basis, from the date that joint control or significant influence respectively commences until the date that it ceases. Joint ventures are recorded at cost as adjusted for post-acquisition changes in the Group's share of net assets of the entity including goodwill net of accumulated impairment loss. When the Group's share of losses exceeds the carrying amount of the joint venture, the carrying amount is reduced to £nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate.

4. CYCLICAL NATURE OF BUSINESS

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

- Reduced polyolefin sales in the second half of the 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 Group is also subject to a number of other factors such as customer demand, growth of new products or markets and changes to the MEL licence portfolio which can affect this underlying cyclicality.

5. ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2014.

6. SEGMENT REPORTING

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

- Polyolefins: these foams are made from olefinic homopolymer and copolymer resin. The most common resin used is low density polyethylene ('LDPE').

- High-Performance Products (HPP): these foams exhibit high-performance on certain key properties, such as improved chemical, flammability or temperature performance, due to the resins on which they are based. Turnover in the segment is currently mainly derived from our ZOTEK® F foams and T-Tubes® insulation both made from PVDF fluoropolymer. Other commercially launched products are foams made from polyamide (nylon) and polyether block amide (‘PEBA’).

- MEL: licenses microcellular foam technology and sells related machinery.

Due to our unique manufacturing technology Zotefoams can produce polyolefin foams with superior performance to other manufacturers. Our strategy is to use the capabilities of our technology to produce foams from other materials in addition to polyolefins. There were no significant transactions within the period between reportable segments.

Six months ended 30 June 2015 (unaudited)	Polyolefins £000	HPP £000	MEL £000	Consolidated £000
Total Revenue*	22,228	3,394	1,008	26,630
Adjustment for joint venture sales	(141)	-	-	(141)
Group revenue	22,087	3,394	1,008	26,489
Segment profit/(loss) before amortisation	4,102	670	(221)	4,551
Amortisation of acquired intangible assets	(24)	-	(153)	(177)
Segment profit/(loss)	4,078	670	(374)	4,374
Foreign exchange losses	-	-	-	(444)
Unallocated central costs	-	-	-	(757)
Operating profit before exceptional items				3,173

Six months ended 30 June 2014 (unaudited)	Polyolefins £000 Restated **	HPP £000 Restated **	MEL £000 Restated **	Consolidated £000 Restated **
Total Revenue*	21,217	2,757	724	24,698
Adjustment for joint venture sales	(50)	-	-	(50)
Group revenue	21,167	2,757	724	24,648
Segment profit/(loss) before amortisation	3,410	528	(139)	3,799
Amortisation of acquired intangible assets	-	-	(149)	(149)
Segment profit/(loss)	3,410	528	(288)	3,650
Foreign exchange gains		-	-	24
Unallocated central costs	-	-	-	(675)
Operating profit before exceptional items				2,999

* Total Revenue consolidates all external sales made by the joint ventures as well as those made by Zotefoams plc and its subsidiaries.
** Previously the HPP business result included direct costs and an allocation of Research and Development and manufacturing overhead but not a share of indirect administration costs. As the HPP business has grown the result has been restated to reflect better HPP’s use of indirect resource. Central Group costs have also been excluded from the business segments as these are non-business specific.

ZOTEFOAMS

7. EXCEPTIONAL ITEM

On 27 June 2014 the Company made the decision to curtail manufacturing activity on its microZOTE® extrusion line within its Polyolefin business segment. This resulted in a non-cash impairment charge as follows:

	Six months ended 30 June 2015 £000	Six months ended 30 June 2014 £000
Fixed asset impairment	-	1,175
Inventory impairment	-	90
	-	1,265

8. TAXATION

	Six months ended 30 June 2015 £000	Six months ended 30 June 2014 £000
Current tax:		
UK corporation tax	454	475
Foreign tax	7	10
	461	485
Deferred tax	157	(155)
	618	330

The Group's consolidated effective tax rate for the six months ended 30 June 2015 was 20.5% (2014: 20.5%)

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

9. DIVIDENDS

	Six months ended 30 June 2015 £000	Six months ended 30 June 2014 £000
Final dividend for the year ended 31 December 2014 of 3.7p (2013: 3.6p) per share	1,615	1,421

The final dividend for the year ended 31 December 2014 was paid on 27 May 2015.

10. EARNINGS PER SHARE

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

	Six months ended 30 June 2015 £000	Six months ended 30 June 2014 £000
Earnings		
Earnings for the purpose of basic earnings per share pre-exceptional items being net profit attributable to equity holders of the parent pre-exceptional items	2,399	2,288
Earnings for the purposes of diluted earnings per share pre-exceptional items	2,399	2,288
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	2,399	1,276
Earnings for the purposes of diluted earnings per share	2,399	1,276

Number of shares	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	43,549,103	39,444,150
Effect of dilutive potential ordinary shares:		
Share options and Long-Term Incentive Plans	598,840	660,253
Weighted average number of ordinary shares for the purposes of diluted earnings per share	44,147,943	40,104,403

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks including credit risk, interest rate risk, liquidity risk and foreign currency risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2014. There have been no changes in any risk management policies since the year end.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial instruments that are measured at fair value at 30 June 2015.

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets				
Forward exchange contracts	-	456	-	456
Total assets	-	456	-	456
Liabilities				
Forward exchange contracts	-	-	-	-
Total liabilities	-	-	-	-

The following table presents the Group's financial instruments that are measured at fair value at 30 June 2014.

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets				
Forward exchange contracts	-	216	-	216
Total assets	-	216	-	216
Liabilities				
Forward exchange contracts	-	-	-	-
Total liabilities	-	-	-	-

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

Group's valuation process

The Group's finance department performs the valuation of forward exchange contracts required for financial reporting purposes. This is reported to the Audit Committee.

The results of the valuation processes are included in the Group's monthly reporting to the directors which include all members of the Audit Committee.

Fair value of financial assets and liabilities measured at amortised cost

The fair value of borrowings is as follows:

	30 June 2015 £000	30 June 2014 £000
Current	711	687
Non-current	1,115	1,826
Total	1,826	2,513

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Other current financial assets
- Cash and cash equivalents
- Trade and other payables
- Other current liabilities

12. RELATED PARTY TRANSACTIONS

There were no material related party transactions for the periods ended 30 June 2015 and 30 June 2014.

Independent review report to Zotefoams plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed the condensed consolidated interim financial statements, defined below, in the Interim Results of Zotefoams plc for the six months ended 30 June 2015. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed consolidated interim financial statements, which are prepared by Zotefoams plc, comprise:

- the condensed consolidated statement of financial position as at 30 June 2015;
- the condensed consolidated income statement and statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

As disclosed in note 2, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated interim financial statements included in the Interim Results have been prepared in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’ issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Responsibilities for the condensed consolidated interim financial statements and the review

Our responsibilities and those of the directors

The Interim Results, including the condensed consolidated interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Results in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

PricewaterhouseCoopers LLP
Chartered Accountants
3 August 2015
Gatwick