

Zotefoams plc

Interim Report for the Six Months Ended 30 June 2023

Strong sales growth and recovery in gross margin drives record H1 profit

8 August 2023 - 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 2023.

Results highlights

- Group revenue of £64.6m, 9% higher year-on-year (HY 2022: £59.0m)
 - High-Performance Products (HPP) sales up 11% to £26.4m (HY 2022: £23.7m)
 - Polyolefin foams sales up 10% to £37.7m (HY 2022: £34.3m)
- Improved gross margin, up to 32.8% from 28.9%
- Profit before tax (PBT) increased 30% to £7.4m (HY 2022: £5.7m)
- Excluding MuCell Extrusion, PBT increased 49% to £9.4m (HY 2022: £6.3m)
- Basic earnings per share increased 22% to 11.53p (HY 2022: 9.42p)
- Continued strong cash generation of £5.8m (HY 2022: £5.2m), with leverage multiple at 1.1
- Interim dividend increased by 4.6% to 2.28p per share (2022: 2.18p per share), reflecting continuing confidence in the Group’s prospects

Strategic highlights

- Margin recovery delivered with realignment of selling prices to input costs after a volatile post-COVID period
- Well positioned to benefit from aviation market recovery
- Exclusivity agreement with Nike extended to 31 December 2029
- Joint development agreement with a world-leading packager of beverages signed in July 2023, following good technical and pre-commercial progress on ReZorce® recyclable barrier packaging. Group profit delivered after absorbing £1.5m (HY 2022: £0.6m) of ReZorce-specific costs

Financial summary

	Six months ended 30 June 2023	Six months ended 30 June 2022	Change
Group revenue (£m)	64.6	59.0	9%
Gross margin (%)	32.8	28.9	-
Operating profit (£m)*	8.5	6.6	29%
Profit before tax (£m)*	7.4	5.7	30%
Basic EPS (p)*	11.53	9.42	22%
Cash generated from operations (£m)	5.8	5.2	12%
Interim dividend (p)	2.28	2.18	4.6%
Leverage ratio (multiple)	1.1	2.0	-
Net debt (£m)	28.3	38.0	26%

*Unadjusted for £131k (HY 2022: £121k) of amortisation on acquired intangibles

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

“The business has delivered strong revenue growth along with margin recovery, predominantly in our Polyolefin Foams business where cost inflation had been significant. With the benefit of currency tailwinds, profit before tax in the period has increased 30% to a record £7.4m (HY 2022: £5.7m). Particularly pleasing is the progress being made in the foam manufacturing side of our business (comprising our Polyolefin Foams and HPP segments), where operating profit increased 46% to £10.5m (HY 2022: £7.1m). We are also delighted to extend the exclusive supply agreement with Nike to the end of 2029.

“We have made demonstrable progress with ReZorce recyclable barrier packaging technology, including entering into a joint development agreement with a global leader of beverage packaging, and our ongoing investment, combined with the rest of the MEL business segment, generated a £2.0m (2022: £0.6m) operating loss. Investment in ReZorce recyclable barrier packaging technology in the second half is planned to be slightly above that of the first six months.

“The short-term outlook for the remainder of the year is somewhat tempered by market expectations of squeezed consumer spending and industrial deflation, resulting in inventory reductions in some of our markets. Other markets, such as aviation, are not expected to be impacted by this trend, with underlying structural growth drivers remaining robust. We expect energy and polymer input costs to be more beneficial while the US dollar, at a current rate of around \$1.28, will provide a headwind to profitability for the remainder of the year, after benefitting operating profit by £1.1m in H1 2022 despite being partially hedged.

“Overall, the Board is pleased with the recent performance and current positioning of our business. We remain confident that the Company can deliver a full year performance in line with market expectations, underpinned by a strong first half performance. We remain optimistic that we can continue our positive momentum in the medium term.”

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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, Stilling, Denmark (microcellular foam technology) and Jiangsu Province, China (T-FIT).

www.zotefoams.com

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Results overview

Group revenue in the period increased £5.6m, or 9%, to £64.6m (HY 2022: £59.0m). On a constant currency basis, Group revenue increased £2.3m, or 4%, to £61.3m.

Gross profit increased £4.1m, or 24%, to £21.2m (HY 2022: £17.1m) and gross margin improved to 32.8% (HY 2022: 28.9%). Operating profit for the period increased £1.9m, or 29%, to £8.5m (HY 2022: £6.6m). Profit before tax increased £1.7m, or 30%, to £7.4m (HY 2022: £5.7m) and basic earnings per share increased 2.11p, or 22%, to 11.53p (HY 2022: 9.42p). Operating profit benefitted from £1.2m of currency movement.

Cash generated from operations was £5.8m (HY 2022: £5.2m). Closing net debt increased in the first six months of the year by £0.5m to £28.3m (31 December 2022: £27.8m) and the leverage multiple (net borrowings to EBITDA, see section "Net debt and covenants" for definition) at the end of the period was 1.1 (31 December 2022: 1.2), a material reduction on the equivalent period last year (HY 22: 2.0 on £38.0m net debt).

The Board remains confident in the cash generation of the business and an interim dividend of 2.28p per share has been approved by the Board (HY 2022: 2.18p 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 that was recently extended to 2029, 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 into medical, industrial and other markets.

In the first half of 2023, we delivered 9% revenue growth, with pricing initiatives and product mix driving this increase, as well as foreign exchange rates, which accounted for 5%. Sales volumes decreased 4%, mainly from the European and Far East regions of our Polyolefin Foams business.

Demand in most markets remained robust during the period. Footwear was our best performer, growing 14% compared with H1 2022, with volume and foreign exchange rates being the two main components, and accounting for 34% of Group sales (HY 2022: 33%). By geography, all major regions delivered sales growth, led by price increases and benefitting from favourable foreign exchange rates.

Polyolefin Foams

Polyolefin foams represented 58% of Group revenue (HY 2022: 58%), with sales increasing 10% to £37.7m (HY 2022: £34.3m) but sales volumes decreasing 5%. On a constant currency basis, sales were £36.0m.

In Continental Europe (46% of segment sales) sales increased 10% while volumes decreased 5% versus the comparative period, with automotive, construction and certain product protection markets being more negatively impacted by the current economic conditions. In the UK (16% of segment sales), sales increased 7% and in North America (32% of segment sales), sales increased 13%, with no significant change in volume in these markets. In Asia, where volumes are more dependent on a smaller number of specific high value-added programs, sales were unchanged on lower volumes. In all markets we have experienced product mix adjustments as customers switch to more cost-effective materials to combat price inflation. Often this aligns with improved sustainability across the supply chain, given that Zotefoams has solutions offering foams with lower-density or 30% recycled content, both of which reduce polymer and energy usage.

Segment profit increased 190% to £5.0m (HY 2022: £1.7m), yielding a segment profit margin of 13% (HY 2022: 5%). On a constant currency basis, segment profit was £4.3m. We believe that our market pricing was reflective of the input costs in the period with, in some cases, part of the price being a temporary surcharge reflective of high polymer and energy pricing. As these input costs fall, we are realigning prices in some products and markets. In the period, the average cost of low-density

polyethylene (LDPE), which is our main raw material, was relatively similar to the long-run average polymer pricing after falling significantly in 2019 and 2020, rising from 2021 and peaking in Q2 2022. In the current year, labour cost across all geographies is likely to represent the largest inflationary component within our cost base.

Overall segment performance is also impacted by asset utilisation and operating efficiency. In the short term, our focus is on operating efficiency, particularly in our North American facility where we see the biggest opportunity to reduce costs and to release capacity to meet medium-term regional demand. In Europe, an increasing proportion of our Polyolefin Foams business is being served from our facility in Poland as the UK facility produces more foams for footwear and other HPP products.

High-Performance Products (“HPP”)

HPP represented 41% of Group revenue in the period (HY 2022: 40%), with sales increasing 11% to £26.4m (HY 2022: £23.7m). On a constant currency basis, sales were £24.8m, representing 5% growth. Sales volumes in HPP were 7% higher than the comparative period, with product mix weighted to slightly lower-priced products. Prices of HPP-related polymers have been relatively stable while other costs, such as labour and energy, despite experiencing inflation, represent a relatively lower percentage of sales. There were no major price adjustments in the period.

Sales of our largest application, footwear, continued to show growth in the period, increasing 14% to £22.3m (HY 2022: £19.5m). Our exclusive agreement with Nike was extended to 31 December 2029, reflecting the close and successful collaboration on technical foams for high-performance footwear.

ZOTEK® F technical foams are designed to be lightweight, insulating and non-flammable. Predominantly, sales are to the aviation market, but they are increasing into the space sector and other markets where insulation and safety are paramount. In all these markets, the underlying trends are positive, with aviation build rates increasing and additional applications for our foams being approved, which will help to drive strong sales growth. Given timing effects, the first half performance did not see a material benefit from these underlying trends, but we expect them to be strongly evident in the full-year performance. In the period, sales fell by 9% to £1.7m (HY 2022: £1.9m).

T-FIT® advanced insulation, which is mainly used for cleanrooms in pharmaceutical, biotech and semiconductor manufacturing, grew 9% in the period, to £2.2m (HY 2022: £2.1m), with good growth in India offset primarily by more challenging conditions in China, particularly in the pharmaceutical manufacturing industry.

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 ambitions over the longer term.

Segment profit in HPP increased by 11% to £7.2m (HY 2022: £6.5m), yielding a profit margin of 27% (HY 2022: 27%). On a constant currency basis, segment profit was £6.2m, mainly as a result of product mix and phasing, yielding a profit margin of 25%. Most HPP sales are in USD, while costs are in a mixture of GBP, USD and Euro, therefore the benefit of the stronger dollar was greater on the HPP segment than in Polyolefin Foams. Raw materials and other inflationary pressures were less marked in HPP than in the Polyolefin Foams business, partly as a result of larger inventory holdings in HPP, with correspondingly lower pricing adjustments in HPP foams and T-FIT insulation products.

MuCell Extrusion LLC (“MEL”)

MEL, which develops and licenses microcellular foam technology and sells related machinery, accounted for 1% (HY 2022: 2%) of Group revenue in the period with sales of £0.6m (HY 2022: £1.1m).

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® recyclable barrier packaging solutions. Moreover, as we have previously communicated, we have invested additional

resources to deliver this opportunity. ReZorce is a mono-material, and hence fully recyclable, solution for packaging consumer products. We have focused on an alternative to liquid paperboard cartons, which are made using a combination of different materials and therefore cannot be easily recycled and are not considered to be circular (i.e. they do not use their own post-consumer recycled content in their manufacture). ReZorce, therefore, offers a potential improvement in carbon footprint and recyclability to a global industry. This is a high-risk development with the potential for commensurately high rewards for success.

We are working on developing a complete “end-to-end” solution for recyclable beverage cartons. This begins in our facility in Denmark with the manufacture of ReZorce material using recycled content. This is followed by printing to the required standard, then made into cartons, filled with liquid such as juice in a sterile environment using existing packaging infrastructure and finally, after consumption, getting recycled in common kerbside post-consumer recycling streams. In all aspects, we have made significant progress in the first six months of this year, culminating in the signing of a joint development agreement with a world-leading packager of beverages in July, who brings expertise in the field of consumer packaging and will accelerate our ability to scale up trials and move towards commercialisation.

During the period, we invested £1.5m in operating costs (HY 2022: £0.6m) to continue the development of ReZorce, while a further £1.0m of capex was incurred, split £0.8m (HY 2022: £0.7m) in intangible development costs and £0.2m (HY 2022: £0.2m) in tangible assets. Since the inception of this initiative, the Group has capitalised a total of £5.7m (31 December 2022: £4.7m).

MEL reported a segment loss after amortisation costs of £2.0m (HY 2022: loss £0.6m) as growth investment was diverted to ReZorce. The carrying value of MEL at 30 June 2023 includes intangible assets of £7.3m (31 December 2022: £7.1m), which mostly comprises goodwill and technology that arose on the acquisition of MEL in a previous accounting period (£3.4m) and capitalised development costs relating to ReZorce (£3.2m). 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 the 2022 Zotefoams Annual Report, setting out the Group’s ESG management framework, goals and performance to date. This will next be updated in the next Annual Report to be published in April 2024.

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. We have now returned to direct engagement with all overseas operations, post COVID-19. We currently employ 580 people globally (HY 2022: 572 people), 43% (HY 2022: 42%) 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.

Financial review

Currency review

As a predominantly UK-based exporter, and with the Group's fast-growing HPP business invoiced almost entirely in US dollars, approximately 90% of Zotefoams' sales are denominated in currencies other than sterling, mostly 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 these 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 23	6 months to 30 Jun 22	12 months to 31 Dec 22
Euro to GBP – period average	1.141	1.189	1.173
Euro to GBP – period-end spot	1.164	1.163	1.129
USD to GBP – period average	1.233	1.300	1.238
USD to GBP – period-end spot	1.263	1.213	1.204

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. They also include non-sterling accounts receivable held on the Company's balance sheet, which mostly relate to the Group's HPP sales, where further hedging activities are taken although their accuracy is subject to the timing of customer receipts. 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 favourable impact on sales and profitability. Reported net sales were £3.3m above those adjusted on a constant currency basis (HY 2022: £1.1m above). The net profit effect of this on the Group, prior to any hedging activity, was favourable by approximately £1.5m (HY 2022 gain: £1.0m). Offsetting this, and included in administrative expenses, was a loss of £0.2m (HY 2022 loss: £0.9m) from transactional hedging via forward exchange contracts and a translation loss, mostly on USD-denominated footwear receivables, of £0.2m (HY 2022 gain: £0.9m). The combined favourable impact of movements in foreign currency on profitability in the period was £1.1m (2022: favourable impact £1.0m).

Gross profit

Gross profit increased by £4.1m or 24% in the period to £21.2m (HY 2022: £17.1m), benefitting from the price adjustments of 2022 and total raw material costs similar to the prior period comparative. While energy prices have stabilised, they were 20% higher than the prior year comparative and the Group was also impacted by labour inflation and increased investments in core capability in the USA and Poland plants. The Group also benefitted from £1.8m of favourable currency impact, before hedging, which is disclosed separately under administrative expenses. The net impact of these movements was a recovery in gross profit margin to 32.8% (HY 2022: 28.9%).

Distribution and administrative costs

Included within distribution expenses in the Group's income statement are sales, marketing, despatch and warehousing costs. These costs increased 7% to £4.0m (HY 2022: £3.7m), with salary inflation and investments in our growing US and Poland activities partly offset by offsite warehouse storage cost reduction in the UK.

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 29% to £8.8m (HY 2022: £6.8m). Stripping out FX hedging movements, costs increased 22% to £8.4m (HY 2022: £6.9m), reflecting the impact of salary inflation in all regions and increases in Group technical costs, primarily investments in the quality function and MuCell (ReZorce related). See currency review for further details of FX-related variances.

Net finance costs

Net finance costs increased to £1.1m (HY 2022: £0.9m) and include £0.1m (HY 2022: £0.1m) of interest on the Company's Defined Benefit Scheme pension obligation. The increase, which is £0.5m after accounting for a £0.3m one-off amortisation of a previous lending facility in the prior period comparative, relates to the increase in lending rates in the US dollar and euro, the primary borrowings of the Group.

Taxation and earnings per share

Income tax expense for the period increased 59% to £1.8m (HY 2022: £1.1m). 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 2023 is 24.38% (estimated average annual tax rate for the year used at 30 June 2022: 19.88%), which reflects the increase in the UK corporation tax rate.

Basic earnings per share was 11.53p (HY 2022: 9.42p) an increase of 22%, while diluted earnings per share was 11.28p (HY 2022: 9.21p), also an increase of 22%.

Cash flow

Cash generated from operations was £5.8m (HY 2022: £5.2m). Included in this was a net increase in working capital in the period of £6.5m (HY 2022: net increase of £5.8m). Accounts receivable increased £2.8m in the period (HY 2022: increased £9.6m), reflecting higher revenues and the timing of collections on some accounts. Inventories increased £4.0m in the period (HY 2022: increased £1.0m), led by a targeted build in AZOTE, primarily high-value raw materials that were low in supply in 2022, a build in Poland to improve service levels and a sizeable receipt at period end of the high-value PVDF foam. Accounts payable increased £0.3m (HY 2022: increased £4.7m).

Capital expenditure in the period was £2.6m (HY 2022: £3.4m), of which £1.0m (HY 2022: £0.8m) related to intangibles arising from the capitalisation of ReZorce development costs. A significant increase is expected in H2 2023. A final dividend of £2.2m (HY 2022: £2.1m) was paid during the period.

Net debt and covenants

The Group's gross finance facility, held with our partner banks Handelsbanken and NatWest, comprises a £50m multi-currency revolving credit facility with a £25m accordion and has an end term date of March 2027. It includes an interest rate ratchet linked to leverage on a six-monthly basis and has a small element related to the achievement of annual sustainability targets. The latter was achieved in 2022.

Net debt (cash less bank borrowings and lease liabilities) increased by £0.5m from the start of the period to £28.3m at 30 June 2023 (31 December 2022: £27.8m). 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 £22.8m at 30 June 2023 (31 December 2022: £22.9m).

The Group remained comfortably within its banking covenants, which are tested semi-annually, throughout the first half of the year. As at 30 June 2023, the multiple of EBITDA to net finance charges was 13.2 (31 December 2022: 13.7; 30 June 2022: 14.1), against a covenant minimum of 4.0, and the multiple of net borrowings to EBITDA (leverage) was 1.1 (31 December 2022: 1.2; 30 June 2022: 2.0), against a covenant maximum of 3.5.

These covenant measures, which are not UK-adopted IAS, are defined in the following table:

Net debt to EBITDA ratio (Leverage)

<u>£m</u>	<u>12 months to 30 June 2023</u>	<u>12 months to 31 Dec 2022</u>	<u>£m</u>	<u>At 30 June 2023</u>	<u>At 31 Dec 2022</u>
Profit after tax	11.0	10.0	Net debt per IFRS	28.3	27.8
<i>Adjusted for:</i>			IFRS 16 leases	(1.6)	(1.0)
Depreciation and amortisation	8.5	8.2			
Net finance costs	2.0	1.7	Net debt per bank	26.7	26.8
Share of result from joint venture	(0.0)	(0.0)			
Equity-settled share-based payments	1.2	0.8			
Taxation	2.9	2.2			
<u>Roundings</u>	<u>0.0</u>	<u>0.1</u>			
EBITDA	25.6	23.0	Leverage per bank	1.1x	1.2x

EBITDA to net finance charges ratio

<u>£m</u>	<u>12 months to 30 June 2023</u>	<u>12 months to 31 Dec 2022</u>	<u>£m</u>	<u>12 months to 30 June 2023</u>	<u>12 months to 31 Dec 2022</u>
EBITDA , as above	25.6	23.0	Finance costs	2.1	1.8
			Finance income	(0.1)	(0.1)
EBITDA to net finance charges	13.2x	13.7x	Net finance charges	2.0	1.7

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 2022, the IAS19 deficit disclosed in the Company accounts was calculated to be £3.3m. Over the period to 30 June 2023, the Scheme's invested assets have remained unchanged while the liabilities have reduced by around £0.6m due to the increase in long-dated corporate bond yields. After taking these factors into account, the IAS19 deficit is estimated to have reduced by around £0.5m (i.e. from £3.3m as at 31 December 2022 to around £2.7m as at 30 June 2023).

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report of the 2022 Annual Report on pages 1 to 77 and the section entitled Risk management and principal risks on pages 39 to 50. This Interim Report provides information on business and financial performance for the six months to 30 June 2023.

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 continue to draw 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 2.28p per share (HY 2022: 2.18p per share) will be paid on 6 October 2023 to shareholders on the Company's register at the close of business on 8 September 2023.

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 39 to 50, of the 2022 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 four months prior to this Interim Report and at a time when we had a reasonably clear understanding of the inflationary pressures prevailing and the likely central bank actions required, as well as the ongoing situation in Ukraine. Our investment in ReZorce technology remains 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 2022 Annual Report. Broadly, we list these as operational disruption, sustainability and climate change, global capacity management, technology displacement, scaling-up international operations, loss of a key customer and external.

Outlook

The short-term outlook for the remainder of the year is somewhat tempered by market expectations of squeezed consumer spending and industrial deflation, resulting in inventory reductions in some of our markets. Other markets, such as aviation, are not expected to be impacted by this trend, with underlying structural growth drivers remaining robust. We expect energy and polymer input costs to be more beneficial while the US dollar, at a current rate of around \$1.28, will provide a headwind to profitability for the remainder of the year, after benefitting operating profit by £1.1m in H1 2022, despite being partially hedged.

Overall, the Board is pleased with the recent performance and current positioning of our business. We remain confident that the Company can deliver a full year performance in line with market expectations, underpinned by a strong first half performance. We remain optimistic that we can continue our positive momentum in the medium term.

L Drummond
Chair
8 August 2023

D B Stirling
Group CEO
8 August 2023

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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 2022 Annual Report as well as on the Zotefoams plc website: www.zotefoams.com.

By order of the Board:

L Drummond
Chair
8 August 2023

D B Stirling
Group CEO
8 August 2023

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED
30 JUNE 2023**

	Notes	Six months ended		Year
		30-Jun-23 (Unaudited) £'000	30-Jun-22 (Unaudited) £'000	Ended 31-Dec-22 (Audited) £'000
Revenue	6	64,631	59,045	127,369
Cost of sales		(43,404)	(41,975)	(88,639)
Gross profit		21,227	17,070	38,730
Distribution costs		(3,977)	(3,706)	(8,037)
Administrative expenses		(8,774)	(6,803)	(16,762)
Operating profit		8,476	6,561	13,931
Finance costs		(1,218)	(912)	(1,814)
Finance income		104	13	56
Share of profit from joint venture		32	42	50
Profit before income tax		7,394	5,704	12,223
Income tax expense	7	(1,803)	(1,134)	(2,217)
Profit for the period/year		5,591	4,570	10,006
Profit attributable to:				
Equity holders of the Company		5,591	4,570	10,006
		5,591	4,570	10,006
Earnings per share:				
Basic (p)	9	11.53	9.42	20.61
Diluted (p)	9	11.28	9.21	20.20

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 2023

	Six months ended		Year ended
	30-Jun-23	30-Jun-22	31-Dec-22
	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000
Profit for the period/year	5,591	4,570	10,006
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gains on defined benefit pension schemes	200	1,800	584
Tax relating to items that will not be reclassified	(50)	(450)	(146)
Total items that will not be reclassified to profit or loss	150	1,350	438
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign exchange translation (losses)/gains on translation of foreign operations	(1,844)	3,279	3,681
Change in fair value of hedging instruments	307	(3,141)	(3,025)
Hedging gains reclassified to profit or loss	186	1,348	2,865
Tax relating to items that may be reclassified	595	450	185
Total items that may be reclassified subsequently to profit or loss	(756)	1,936	3,706
Other comprehensive (expense)/income for the period/year, net of tax	(606)	3,286	4,144
Total comprehensive income for the period/year	4,985	7,856	14,150
Profit attributable to:			
Equity holders of the Company	4,985	7,856	14,150
Total comprehensive income for the period/year	4,985	7,856	14,150

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	30-Jun-23 (Unaudited) £'000	30-Jun-22 (Unaudited) £'000	31-Dec-22 (Audited) £'000
Non-current assets				
Property, plant and equipment	10	90,525	94,627	94,295
Right-of-use assets		1,477	946	939
Intangible assets		8,022	7,190	7,774
Investments in joint venture		185	205	153
Trade and other receivables	13	110	59	122
Deferred tax assets		434	430	410
Total non-current assets		100,753	103,457	103,693
Current assets				
Inventories		29,664	27,569	26,139
Trade and other receivables	13	32,009	34,253	29,447
Derivative financial instruments	13	1,431	1	486
Cash and cash equivalents		8,518	7,726	10,594
Total current assets		71,622	69,549	66,666
Total assets		172,375	173,006	170,359
Current liabilities				
Trade and other payables		(13,818)	(14,151)	(13,500)
Derivative financial instruments	13	(117)	(2,799)	(1,550)
Current tax liability		(1,875)	(583)	(226)
Lease liabilities		(607)	(466)	(509)
Interest-bearing loans and borrowings	11	(35,254)	(44,743)	(37,446)
Total current liabilities		(51,671)	(62,742)	(53,231)
Non-current liabilities				
Lease liabilities		(941)	(504)	(454)
Deferred tax liabilities		(4,092)	(3,425)	(3,846)
Post-employment benefits		(2,714)	(2,529)	(3,290)
Total non-current liabilities		(7,747)	(6,458)	(7,590)
Total liabilities		(59,418)	(69,200)	(60,821)
Total net assets		112,957	103,806	109,538
Equity				
Issued share capital		2,431	2,431	2,431
Share premium		44,178	44,178	44,178
Own shares held		(3)	(7)	(5)
Capital redemption reserve		15	15	15
Translation reserve		4,065	5,507	5,909
Hedging reserve		803	(1,653)	(285)
Retained earnings		61,468	53,335	57,295
Total equity		112,957	103,806	109,538

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 2023

	Six months ended		31-Dec-22 (Audited) £'000
	30-Jun-23 (Unaudited) £'000	30-Jun-22 (Unaudited) £'000	
Cash flows from operating activities			
Profit for the period/year	5,591	4,570	10,006
Adjustments for:			
Depreciation and amortisation	4,145	3,905	8,245
Disposals of assets	12	-	283
Finance costs	1,114	904	1,758
Share of profit from joint venture	(32)	(42)	(50)
Net exchange differences	(548)	658	871
Equity-settled share-based payments	677	335	809
Taxation	1,803	1,134	2,217
Operating profit before changes in working capital and provisions	12,762	11,464	24,139
Increase in trade and other receivables	(2,758)	(9,618)	(4,818)
(Increase)/decrease in inventories	(4,041)	(967)	401
Increase in trade and other payables	292	4,742	4,119
Employee defined benefit contributions	(430)	(430)	(859)
Cash generated from operations	5,825	5,191	22,982
Interest paid	(1,016)	(455)	(1,255)
Income taxes (paid)/received	(914)	245	(659)
Net cash flows generated from operating activities	3,895	4,981	21,068
Cash flows from investing activities			
Interest received	104	9	56
Purchases of intangibles	(959)	(794)	(1,724)
Purchases of property, plant and equipment	(1,622)	(2,629)	(5,368)
Net cash used in investing activities	(2,477)	(3,414)	(7,036)
Cash flows from financing activities			
Repayment of borrowings	(802)	(42,729)	(50,883)
Proceeds from borrowings	-	43,092	43,044
Lease payments	(352)	(272)	(499)
Dividends paid	(2,243)	(2,131)	(3,188)
Net cash used in financing activities	(3,397)	(2,040)	(11,526)
Net (decrease)/increase in cash and cash equivalents	(1,979)	(473)	2,506
Cash and cash equivalents at start of period/year	10,594	8,055	8,055
Exchange (losses)/gains	(97)	144	33
Cash and cash equivalents at end of period/year	8,518	7,726	10,594

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 £1,016k (June 2022: £455k, December 2022: £1,255k) of which no interest was capitalised (June 2022: £nil, December 2022: £nil) on qualifying assets under IAS 23 'Capitalisation of Borrowing Costs'.

The net exchange differences of £548k (June 2022: £658k, December 2022: £871k) 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 2023

	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 2023	2,431	44,178	(5)	15	5,909	(285)	57,295	109,538
Foreign exchange translation losses on foreign operations	-	-	-	-	(1,844)	-	-	(1,844)
Change in fair value of hedging instruments recognised in other comprehensive income	-	-	-	-	-	307	-	307
Hedging gains reclassified to profit or loss	-	-	-	-	-	186	-	186
Tax relating to effective portion of changes in fair value of cash flow hedges net of recycling	-	-	-	-	-	595	-	595
Actuarial gain on Defined Benefit Pension Scheme	-	-	-	-	-	-	200	200
Tax relating to actuarial gain on Defined Benefit Pension Scheme	-	-	-	-	-	-	(50)	(50)
Profit for the period	-	-	-	-	-	-	5,591	5,591
Total comprehensive income for the period	-	-	-	-	(1,844)	1,088	5,741	4,985
Transactions with owners of the Parent:								
Options exercised	-	-	2	-	-	-	(2)	-
Equity-settled share-based payments net of tax	-	-	-	-	-	-	677	677
Dividends paid	-	-	-	-	-	-	(2,243)	(2,243)
Total transactions with owners of the Parent	-	-	2	-	-	-	(1,568)	(1,566)
Balance as at 30 June 2023 (Unaudited)	2,431	44,178	(3)	15	4,065	803	61,468	112,957

	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 foreign operations	-	-	-	-	3,279	-	-	3,279
Change in fair value of hedging instruments recognised in other comprehensive income	-	-	-	-	-	(3,141)	-	(3,141)
Hedging gains 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

During the six months period ended 30 June 2023, 48,995 shares vested (June 2022: 58,737) and were issued from the Zotefoams Employee Benefit Trust ('EBT') following the exercise of these options.

During the six months period ended 30 June 2023, 382,464 Long Term Incentive Plan awards (June 2022: 503,701), 52,447 Deferred Bonus Share Plan awards (June 2022: 12,193) and 8,121 share options (June 2022: 31,489) 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 2023

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 2023 were authorised for issue in accordance with a resolution of the directors on 7 August 2023.

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 2022 were approved by the Board of Directors on 4 April 2023 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 2023 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 2022, 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

2.1. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023 as disclosed in Note 16. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group. 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.

2.2. 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 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 2022 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 segment 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. A variation of this technology has been used to create ReZorce®, a recyclable, mono-material barrier packaging solution.

Six months ended (Unaudited)	Polyolefin Foams		HPP		MEL		Consolidated	
	30-Jun-23 £'000	30-Jun-22 £'000	30-Jun-23 £'000	30-Jun-22 £'000	30-Jun-23 £'000	30-Jun-22 £'000	30-Jun-23 £'000	30-Jun-22 £'000
Group revenue	37,657	34,286	26,380	23,706	594	1,053	64,631	59,045
Segment profit/(loss) pre-amortisation of acquired intangibles	4,985	1,720	7,196	6,458	(1,845)	(458)	10,336	7,720
Amortisation of acquired intangible assets	-	-	-	-	(131)	(121)	(131)	(121)
Segment profit/(loss)	4,985	1,720	7,196	6,458	(1,976)	(579)	10,205	7,599
Foreign exchange (losses)/gains	-	-	-	-	-	-	(360)	59
Unallocated central costs	-	-	-	-	-	-	(1,369)	(1,097)
Operating profit							8,476	6,561
Financing costs	-	-	-	-	-	-	(1,114)	(899)
Share of profit from joint venture	32	42	-	-	-	-	32	42
Profit before taxation							7,394	5,704
Taxation	-	-	-	-	-	-	(1,803)	(1,134)
Profit for the period	-	-	-	-	-	-	5,591	4,570
Depreciation and Amortisation:								
Depreciation	2,647	2,582	503	482	257	147	3,407	3,211
Depreciation of right-of-use assets	231	155	41	34	104	70	376	259
Amortisation	145	221	54	69	163	145	362	435
Capital expenditure:								
Property, plant and equipment (PPE)	1,334	1,917	334	382	205	183	1,873	2,482
Intangible assets	41	50	17	17	902	727	960	794

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

	Polyolefin Foams		HPP		MEL		Consolidated	
	30-Jun-23	31-Dec-22	30-Jun-23	31-Dec-22	30-Jun-23	31-Dec-22	30-Jun-23	31-Dec-22
Six months ended (Unaudited)	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segment Assets	117,352	116,426	41,416	40,358	13,173	13,165	171,941	169,949
Unallocated Assets	-	-	-	-	-	-	434	410
Total Assets							172,375	170,359
Segment liabilities	(37,863)	(39,814)	(14,406)	(15,508)	(1,181)	(1,427)	(53,450)	(56,749)
Unallocated liabilities	-	-	-	-	-	-	(5,968)	(4,072)
Total liabilities							(59,418)	(60,821)

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 2023					
Group revenue from external customers	6,586	17,740	13,666	26,639	64,631
Non-current assets	41,762	20,454	38,233	304	100,753
Capital expenditure - PPE	1,157	197	519	-	1,873
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

Major customers

Revenues from one customer of the Group located in "Rest of World" contributed £22,271k (HY 2022: £19,540k) 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-23 (Unaudited) £'000	30-Jun-22 (Unaudited) £'000
Sale of foam	64,037	57,560
Sale of equipment	433	568
Licence and royalty income	161	917
Group Revenue	64,631	59,045

7. INCOME TAX EXPENSE

	Six months ended	
	30-Jun-23 (Unaudited) £'000	30-Jun-22 (Unaudited) £'000
UK corporation tax	2,076	774
Overseas tax	149	56
Total current tax	2,225	830
Deferred tax	(422)	304
Income tax expense	1,803	1,134

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 2023 is 24.38% (the estimated average annual tax rate for the period ended 30 June 2022 was 19.88%), which reflects the increase in the UK corporation tax rate.

8. DIVIDENDS

A dividend of £2,243k (2022: £2,131k) that relates to the period to 31 December 2022 was paid in June 2023.

An interim dividend of 2.28 pence per share was approved by the Board of Directors on 7 August 2023 (2022: 2.18 pence per share). It is payable on 6 October 2023 to shareholders who are on the register at 8 September 2023. This interim dividend, amounting to £1,109k (2022: £1,060k), 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 2023.

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 £5,591k (HY 2022: £4,570k) 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 2023 was 58,135 (30 June 2022: 138,151). 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-23 (Unaudited)	30-Jun-22 (Unaudited)
Weighted average number of ordinary shares in issue ¹	48,472,869	48,490,547
Deemed issued for no consideration	1,082,961	1,129,822
Diluted number of ordinary shares issued	49,555,830	49,620,369

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 constructi on £'000	Total £'000
Cost					
At 1 January 2023	47,398	118,591	3,562	3,048	172,599
Additions	-	48	-	1,825	1,873
Disposals	-	(987)	(1)	-	(988)
Transfers	1,613	(130)	113	(1,596)	-
Effect of movement in foreign exchange	(888)	(2,308)	(68)	(31)	(3,295)
At 30 June 2023	48,123	115,214	3,606	3,246	170,189
Accumulated depreciation					
At 1 January 2023	15,653	59,919	2,732	-	78,304
Depreciation charge	702	2,567	138	-	3,407
Disposals	-	(976)	-	-	(976)
Transfers	301	(267)	(34)	-	-
Effect of movement in foreign exchange	(297)	(718)	(56)	-	(1,071)
At 30 June 2023	16,359	60,525	2,780	-	79,664
Net book value					
At 31 December 2022	31,745	58,672	830	3,048	94,295
At 30 June 2023	31,764	54,689	826	3,246	90,525

11. INTEREST-BEARING LOANS AND BORROWINGS

	30-Jun-23	31-Dec-22
	(Unaudited)	(Audited)
	£'000	£'000
Current bank borrowings	35,254	37,446
Total	35,254	37,446

In March 2022, the Group completed a debt refinancing and selected Handelsbanken and NatWest, the incumbents, to continue as its lenders. Under the terms of the new facility, secured against the property, plant and equipment and trade receivables, the Group's gross finance facility consists of a £50m multi-currency revolving credit facility with a £25m accordion. With a 4+1 tenor, the extending year option was taken up in January 2023.

At 30 June 2023, the Group has utilised £35.3m (31 December 2022: £37.4m) of its multi-currency revolving credit facility of £50m. The total amount of £35.3m, repayable on the last day of each loan interest period, which is either of a 3 or 6 month duration, is net of £0.4m origination fees paid up front and being amortised over 4 years.

The interest rate on the debt facility ranged between 3.70% and 6.38% in H1 (FY 2022: between 1.60% and 6.00%).

12. RELATED PARTY TRANSACTIONS

There were no material related party transactions requiring disclosure for the periods ended 30 June 2023 and 30 June 2022.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair value estimation

To provide an indication of 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 below the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2023 and 31 December 2022:

	Level 1 (Unaudited) £'000	Level 2 (Unaudited) £'000	Level 3 (Unaudited) £'000	Total (Unaudited) £'000
30-Jun-23				
Assets				
Forward exchange contracts	-	1,431	-	1,431
Total assets	-	1,431	-	1,431
Liabilities				
Forward exchange contracts	-	(117)	-	(117)
Total liabilities	-	(117)	-	(117)

	Level 1 (Unaudited) £'000	Level 2 (Unaudited) £'000	Level 3 (Unaudited) £'000	Total (Unaudited) £'000
31-Dec-22				
Assets				
Forward exchange contracts	-	486	-	486
Total assets	-	486	-	486
Liabilities				
Forward exchange contracts	-	(1,550)	-	(1,550)
Total liabilities	-	(1,550)	-	(1,550)

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 market 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 (2022: 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-23	31-Dec-22
	(Unaudited)	(Unaudited)
	£'000	£'000
Current	35,254	37,446
Total	35,254	37,446

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

	30-Jun-23	31-Dec-22
	(Unaudited)	(Unaudited)
	£'000	£'000
Non-current trade receivables	110	122
Trade receivables	32,009	29,447
Total	32,119	29,569

14. CAPITAL COMMITMENTS

Capital expenditure commitments of £1,875k (31 December 2022: £1,470k) 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 OCCURRING 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 2023

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2023:

	Effective for accounting periods beginning on or after	Expected Impact
IFRS 17 Insurance Contracts	1 January 2023	None
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023	See below
Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023	See below
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023	None

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendments had no impact on the Group's interim condensed consolidated financial statements, but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments had no impact on the Group's interim condensed consolidated financial statements, but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

ii) Forthcoming requirements

As at 30 June 2023, The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.