ZOTEFOAMS

Expanding beyond the core.

Zotefoams plc
Annual Report 2024

Contents

FINANCIAL KPIs

Group revenue

£147.8m

Change +16%
2023 £127.0m

Gross margin

31.2%

Change -110 bps
2023 32.3%

Operating profit before exceptional items

£18.1m

Change +20%
2023 £15.1m

Operating profit

£3.0m

Change -81%
2023 £15.1m

Profit before tax and exceptional items

£15.3m

Change +19%
2023 £12.8m

Profit before tax

£0.2m

Change -99%
2023 £12.8m

Basic earnings per share before exceptional items

25.95p

Change +37%
2023 19.00p

Basic (loss)/earnings per share

(5.66)p

Change -130%
2023 19.00p

Total dividend for the year

7.48p

Change +4.2%
2023 7.18p

Return on capital employed

11.7%

Change +140 bps
2023 10.3%

AN INTRODUCTION FROM RONAN COX, GROUP CEO

We are expanding beyond the core.

2024 was another record-breaking year for Zotefoams. We continued to exceed expectations by delivering strong revenue growth and enhanced underlying profitability. This success was driven by the continued growth in sales of our high-performance products range, highlighting the significant opportunities in high-value, high-margin applications.

At Zotefoams, ambition has always driven our success, and in 2025 we are raising the bar once again as we embark on a transformational journey that will see us expand beyond our core.

The most significant shift will be our pivot from a product-focused to a market-driven approach, aligning closer with the industries that demand high-value applications. This will strengthen customer partnerships, extend our reach across the value chain, and unlock new opportunities for sustainable, high-margin growth.

Ronan Cox
Group CEO

GROUP AT A GLANCE

Zotefoams produces a wide range of innovative products that are critical components in everyday applications.

Manufacturing locations and capabilities

North America

Local manufacturing presence in Kentucky for the Polyolefin Foams business and cutting operation in Oklahoma to service the construction market. Local representation for our High-Performance Products (HPP) business, including T-FIT® technical insulation.

United Kingdom

Group headquarters and main factory, manufacturing polyolefin foams and high-performance products for sale globally.

Continental Europe

Significant market for polyolefin foams. Local manufacturing presence in Brzeg, south-west Poland, servicing the Polyolefin Foams and HPP business units. Sufficient land has been purchased to allow larger-scale operations in the future.

Rest of the world

T-FIT® manufacturing in China for sales of insulation products globally. Local representation for our HPP business. Joint venture with INOAC Corporation for AZOTE® polyolefin foams sales in Asia. Commercial operation in India for T-FIT insulation.

Share of Group revenue by point of sale

North America	United Kingdom	Continental Europe	Rest of the world
19%	9%	21%	51%
(2023 **21%**)	(2023 **9%**)	(2023 **26%**)	(2023 **44%**)

AUTOCLAVE TECHNOLOGY

Polyolefin foams

AZOTE®

Premium durable foams

Uniformly dense foam sheets with a consistent cell structure. These foam sheets and blocks are manufactured from common polymers using our unique nitrogen-expansion process.

Key markets served	Key market drivers
Automotive	Lightweighting
Aviation	Fire safety
Building and construction	Energy saving
Industrial	Durability
Marine	Reduced toxicity
Medical	
Military	
Product protection	
Sports and leisure	

HPP

ZOTEK®

Lightweight technical foams

Foams which offer superior technical properties, such as energy management, durability and heat and/or fire resistance. ZOTEK foams are manufactured from engineering polymers using our unique nitrogen-expansion process.

Key markets served	Key market drivers
Athletic footwear	Lightweighting
Automotive	High-technology insulation
Aviation	Fire safety
Construction	Personal safety
Product protection	Durability
	Sports and leisure

HPP

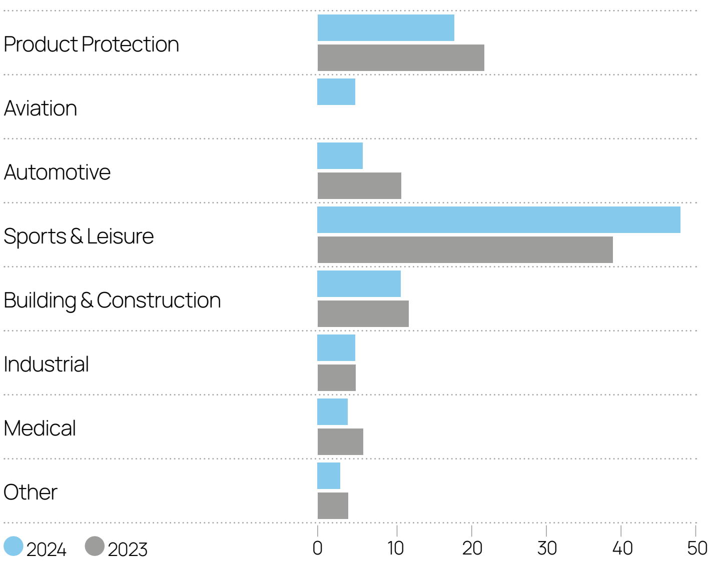
T-FIT®

Technical insulation

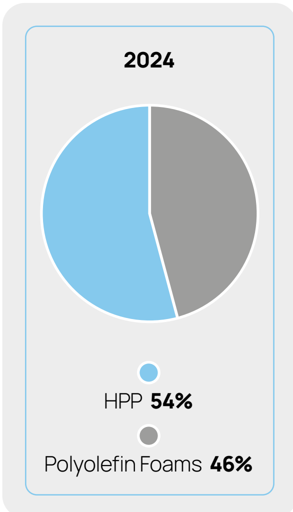
A range of insulation products manufactured from Zotefoams' own ZOTEK block foam materials. T-FIT insulation products are purpose-designed to perform in demanding environments.

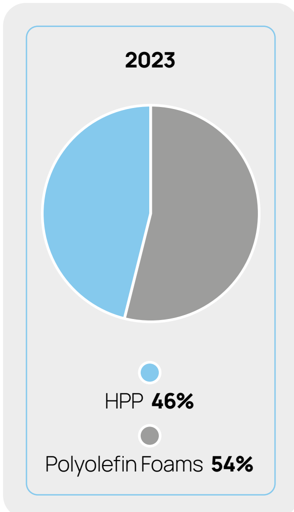
Key markets served	Key market drivers
Food and personal care manufacturing	Ageing population
High-temperature processing environments	Reduced toxicity
Pharmaceutical, biotech and semiconductor cleanrooms	Demographic changes
	Energy saving

Revenue by industry (%)



Revenue by business unit (%)





OUR EXTERNAL CONTEXT

We deliver stakeholder value by using proprietary technology to create a portfolio of differentiated products. We focus resources primarily on markets where we have a right to win. We intend to develop our business through sustained high levels of organic growth and, where appropriate, through partnerships or acquisitions.

We have built a clear long-term strategy for growth based around three long-term global megatrends that are driving demand for our products.

Understanding these market trends informs our strategy and product development, as well as the allocation of our resources. Given the diversity of applications for foam, it is not possible to track every use for our materials, and a new idea or application may come from a foam converter, an end-user or from within Zotefoams. We therefore actively monitor these and maintain flexibility to react to a wide variety of possibilities.

Sometimes, as happened during the pandemic, short-term factors distort longer-term trends. With clarity of purpose and an understanding of the fundamental drivers of our business environment, we will make adjustments to our short-term approach, such as limiting expenses and capital expenditure, while ensuring that our longer-term goals remain achievable.

Environment

Optimising the use of scarce resources has become a universal driver. Lightweighting is fundamental to reducing fuel usage and controlling emissions for the aviation and automotive industries. High-quality insulation conserves thermal energy.

Much of our AZOTE® foam range is used in permanent packaging or packaging that is designed to be reused, while foams used in transportation are normally specified to the lightest weight for the required physical performance. Zotefoams products typically use less plastic than competitive solutions due to the cell structure of foam made in our autoclave process, giving us both a cost and environmental advantage.

With sustainability and carbon reduction a priority, the Ecozote® Sustainability+ foams range builds on the underlying sustainability credentials of all our block foams – lightweight, durable and foamed using nitrogen borrowed from the atmosphere – to give customers and end-users additional choices to address market- or application-specific requirements. Initial products in the range are low-density polyethylene foams with 30% recycled content.

Regulation

Regulatory pressures, primarily to safeguard consumers, are driving up standards worldwide. These standards in turn create demand for both safer products and protective equipment.

Regulatory requirements mainly cover the performance of end-use products, although there are specific tests for fire performance and toxicity limits in foams for certain industries and jurisdictions. Zotefoams provides specifically tested materials for semiconductor, pharmaceutical and biotech manufacture and automotive, aircraft and rail insulation and provides validated materials for medical transportation and devices, and military storage and personnel protection. Our technical team is closely involved in developing new materials to meet and anticipate changes in standards and we are currently working on projects for automotive batteries, high-tech composites, foams from recycled materials and foams which can be more easily recycled. We sell AZOTE grades for automotive, medical and packaging designed to minimise emissions and/or meet specific purity requirements. Around half of Zotefoams' revenue from foams in 2024 came from products with specific properties tested to customer requirements, although not all of this was demonstrably for regulation compliance.

Plastazote® foam, from our AZOTE polyolefin foams range, is the most frequently cited thermoplastic foam in medical literature due to its purity and hypoallergenic characteristics. It meets ISO 10993 standards for evaluating the biocompatibility of medical devices and is the material of choice for skin contact applications.

Demographics

Better healthcare has created a population boom, especially in older age groups, while globally, discretionary spending power is rising rapidly. Demand for healthcare products is accelerating. Wealthier and more discerning consumers are driving growth rates in other industries such as food and drink, sports equipment and transportation.

Transport, medical and sports and leisure applications account for around 55% of sales directly, while our T-FIT® insulation products – demand for which is currently linked to semiconductor, pharmaceutical and biotech manufacturing – account for a further 5% of sales.

OUR ADDRESSABLE MARKETS

We operate in a global and diverse market, serving a wide range of industries where high-value foam applications play a critical role and there is a large runway for growth.

Global polymer foam market[1]

2023	2029
£106bn	£135bn

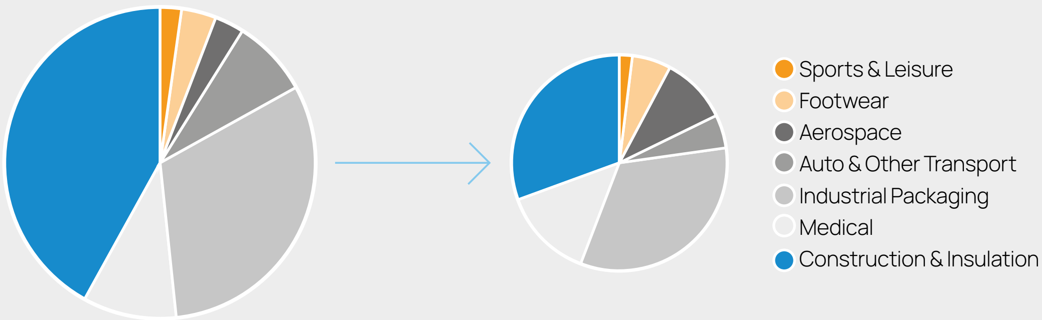
High-value foam segment[1]

2023	2029
£15bn	£17bn

1 Zotefoams proprietary market study, 2024

Global polymer foam market
£106bn

Addressable market
£15bn



Source: Kline & Company

Our existing market share
Zotefoams' current core business focuses on a portion of the polyolefin foam market, with some participation in select high-performance engineered polymer foam applications.

Zotefoams' addressable market has historically been limited to £800m within these segments.

Global PE, crosslinked block foam market size

EXPANDING OUR STRATEGY
OUR STRATEGY HAS EVOLVED TO ACCELERATE OUR GROWTH AMBITIONS

Our refined strategic approach will ensure that we go even further in fulfilling our purpose to create optimal material solutions for the benefit of society.

INDUSTRY AND CUSTOMER FOCUS

1. From product to industry

CLOSER TO THE CUSTOMER

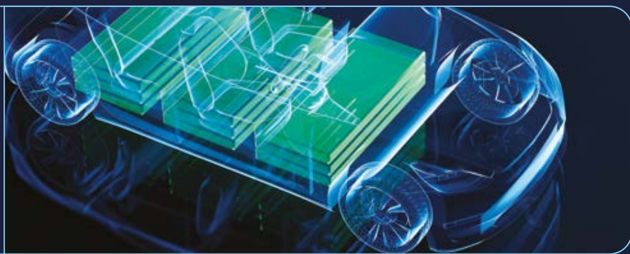
2. Expanding geographic reach

INNOVATION AND SUSTAINABILITY LEADERSHIP

3. Sustainable innovation

M&A BEYOND THE CORE

4. Extending capabilities and moving up the value chain



HIGH PERFORMING TEAMS

5. Executing the strategy

EXPANDING OUR STRATEGY (CONT.)

INDUSTRY AND CUSTOMER FOCUS

1. From product to industry

Consumer & Lifestyle, Transport & Smart Technologies and Construction & Other Industrial

Our right to win
As a world leader in supercritical fluid foaming, Zotefoams has pioneered the development of uniquely sustainable materials for over 100 years. Our highly technical proprietary process enables us to create products that are unmatched – delivering the performance, reliability and sustainability demanded by high-specification markets.

Market focus
To unlock the next phase of our growth and align even closer with our customers and end-users, we are shifting towards a market-driven approach. Following an extensive market study, we have identified Consumer & Lifestyle, Transport & Smart Technologies and Construction & Other Industrial as the key markets where high-value foam applications play a critical role and we have a strong right to win.

These markets present significant opportunities to scale our business with both existing and new customers. This strategic shift will also see us moving further up the value chain – evolving from a material provider to a true solutions partner.

CLOSER TO THE CUSTOMER

2. Expanding geographic reach

Leveraging new technology and skills to get closer to our customers

Enhancing customer experience
The commercial team realignment to a market-focused approach will enable us to better understand our customers' needs, allowing us to enhance their journey with us while delivering value and solutions-driven support.

This extends to understanding where our customers need us to be, and strengthening our customer relationships will also require strategic decisions about our physical manufacturing presence.

Putting supply where demand is
We are making significant infrastructure investments to position ourselves closer to key customers, enabling us to proactively meet their needs and support their growth.

By establishing a local presence in strategic locations, we are unlocking opportunities that were previously out of reach, strengthening partnerships, and creating a more responsive, customer-focused supply chain.

The most significant example of this strategy is our expansion into Asia, where we will establish manufacturing and innovation capabilities to support continued growth and deeper collaboration with Nike.

INNOVATION AND SUSTAINABILITY LEADERSHIP

3. Sustainable innovation

Harnessing heritage with new technology and AI to develop the next generation of sustainable industry solutions

Expanding our innovation capabilities
At the heart of our strategy is a relentless focus on innovation, which we see as a transformative opportunity for the Group.

Our innovation commitment
In 2025, we will launch our UK Innovation Centre of Excellence, as well as our first Market Focused Innovation Centre – a Footwear Innovation Centre in Busan, South Korea – in close proximity to our end-customer. This model will enable us to work more closely and collaboratively with customers, delivering tailored solutions that anticipate their evolving needs while strengthening our proximity to raw material sources, enhancing both efficiency and sustainability.

Meeting our customers' future needs
The launch of our Footwear Innovation Centre will support our transition towards 3D pre-forms for Nike, marking a major shift from supplying raw material in sheets to producing near-net shape products. This offers significant sustainability benefits, including reduced material waste and lower energy consumption, all while streamlining Nike's production process.

Next-generation autoclave technology
Another critical advancement is our investment in new autoclave technology. This shift moves us towards a more agile, less capital-intensive model, enabling us to enhance customer proximity and improve responsiveness. By breaking installations into smaller, faster investments, we gain the flexibility to scale efficiently while maintaining our innovation edge.

M&A BEYOND THE CORE

4. Extending capabilities and moving up the value chain

Going beyond supercritical fluid foam sheets to extend capabilities, unlock new formats and applications, and secure greater margin opportunities

Strong foundations for growth

In addition to significant opportunities for organic growth, we also recognise the value of expanding our capabilities, market reach and innovation pipeline through acquisition. We are actively exploring opportunities that will complement and enhance our strategic direction by extending our capabilities and accelerating our move up the value chain. In preparation for this, we are laying the groundwork for successful integration by simplifying our structure, processes and systems, ensuring we are ready to scale efficiently.

HIGH PERFORMING TEAMS

5. Executing the strategy

Developing and hiring the best people to lead collaborative, results-driven teams that seize the freedom to operate within a framework

Delivery culture

We believe that our people are the foundations on which we will successfully deliver our strategic objectives. We are committed to developing, retaining and hiring growth-minded, solutions-focused employees who are motivated by our values. By empowering them with the freedom to operate and maintaining a sharp focus on performance and delivery, we will build bold ambition across the business.

A realigned global commercial team will strengthen customer relationships and drive pipeline growth, while a newly formed global innovation team will accelerate the development and launch of new products and solutions.

Investing in growth and efficiency

We will simplify our business and manage costs effectively, ensuring that resources are directed towards areas that create the most value and long-term growth. As part of this approach, we are also investing in early careers programmes to build a strong pipeline of future talent.

Our success will depend on us executing this proactive strategy with a clear commitment to our people – a commitment that will drive lasting impact across the Group.

MARKET VERTICALS

Consumer & Lifestyle

Footwear and premium consumer goods applications

Consumer & Lifestyle 2024 sales

£72.7m

Addressable market

Consumer & Lifestyle	**£1.1bn**
Premium & Performance Footwear	73%
Sports Surfaces	7%
Recreational/Sports Equipment	12%
High-impact Protective Gear	8%

Transport & Smart Technologies

Automotive, aviation and high-specification industries requiring advanced material solutions

Transport & Smart Technologies 2024 sales

£55.0m

Addressable market

Transport & Smart Tech	**£9.0bn**
Aerospace	6%
Automotive & Other Transport	8%
Industrial Packaging	53%
Medical Devices	23%
Other	10%

Construction & Other Industrial

Supporting building, infrastructure and specialised industrial applications

Construction & Industrial 2024 sales

£20.1m

Addressable market

Construction & Other Industrial	**£4.3bn**
Construction & Insulation	92%
Industrial Applications	8%

Strategic Report
Governance
Financial Statements

EXPANDING OUR FOOTPRINT

Current geographic locations

Expanding capabilities in region

EXPANDING OUR INNOVATION CAPABILITIES

INNOVAT

IS IN OUR DNA

Innovation in advanced foam materials has always been at the heart of the Zotefoams business model. For over 100 years, we have pioneered the development of uniquely sustainable materials using supercritical fluid foaming technology.

What is supercritical fluid foaming?

The principle of foaming using supercritical fluids is simple: we borrow an inert gas from the atmosphere and turn this into a supercritical fluid which we dissolve into a polymer. Then, under controlled conditions, we allow the fluid trapped in the polymer to return into a gas state which, in doing so, expands the polymer into a foam. This process requires significant know-how around both the equipment and the materials to produce good-quality foams efficiently.

Both nitrogen (N_2) and carbon dioxide (CO_2) can be used as the supercritical fluid because they are inert, non-toxic and easily recoverable. This eliminates the need for chemical foaming agents, produces products of equivalent performance using less raw material and consumes fewer resources, while also creating lighter, more durable foams. We primarily use nitrogen in our processes – not only is it the most environmentally friendly option, but it also produces unparalleled product performance characteristics.

TION

A hub-and-spoke approach to innovation

To accelerate the impact of innovation, we are adopting a hub and spoke model:

- UK Innovation Centre of Excellence (hub): a dedicated centre focused on developing platform technologies that drive long-term innovation
- Market-focused Innovation Centres (spokes): embedded centres tailored to specific industries, ensuring that innovation is customer-centric and directly aligned with market needs.

This model ensures that our innovation pipeline is both strategic and agile, combining cutting-edge technology development with real-world applications in key markets.

EXPANDING OUR INNOVATION CAPABILITIES (CONT.)

Picking the right projects

The key to successful innovation lies in choosing the right opportunities. By embedding our market-focused Innovation Centres within strategic growth areas – Consumer & Lifestyle, Transport & Smart Technologies, Construction & Other Industrial Applications – we ensure that our effort is targeted where we have a deep expertise and a strong right to win.

Working alongside academic institutions, raw material suppliers and equipment manufacturers, our UK Innovation Centre of Excellence will develop breakthrough technologies that can be efficiently implemented through our market-specific Innovation Centres.

Footwear Innovation Centre

One of our most exciting innovations is in footwear technology, where we are redefining performance, efficiency and sustainability.

To support this, the first Innovation Centre that we will launch will be our Footwear Innovation Centre in South Korea, located near our key customer and their Tier 1 manufacturing partners. This proximity will allow us to work directly with customers, implementing new developments into specific shoe models.

Breakthrough technologies

By combining localised innovation with cutting-edge materials science, we can collaborate more effectively to develop sustainable footwear solutions across a range of polymers.

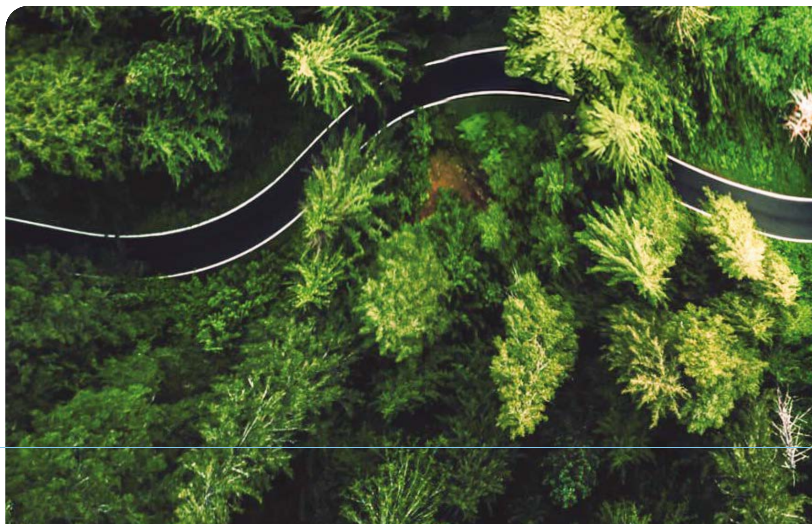
Recent major advancements include:

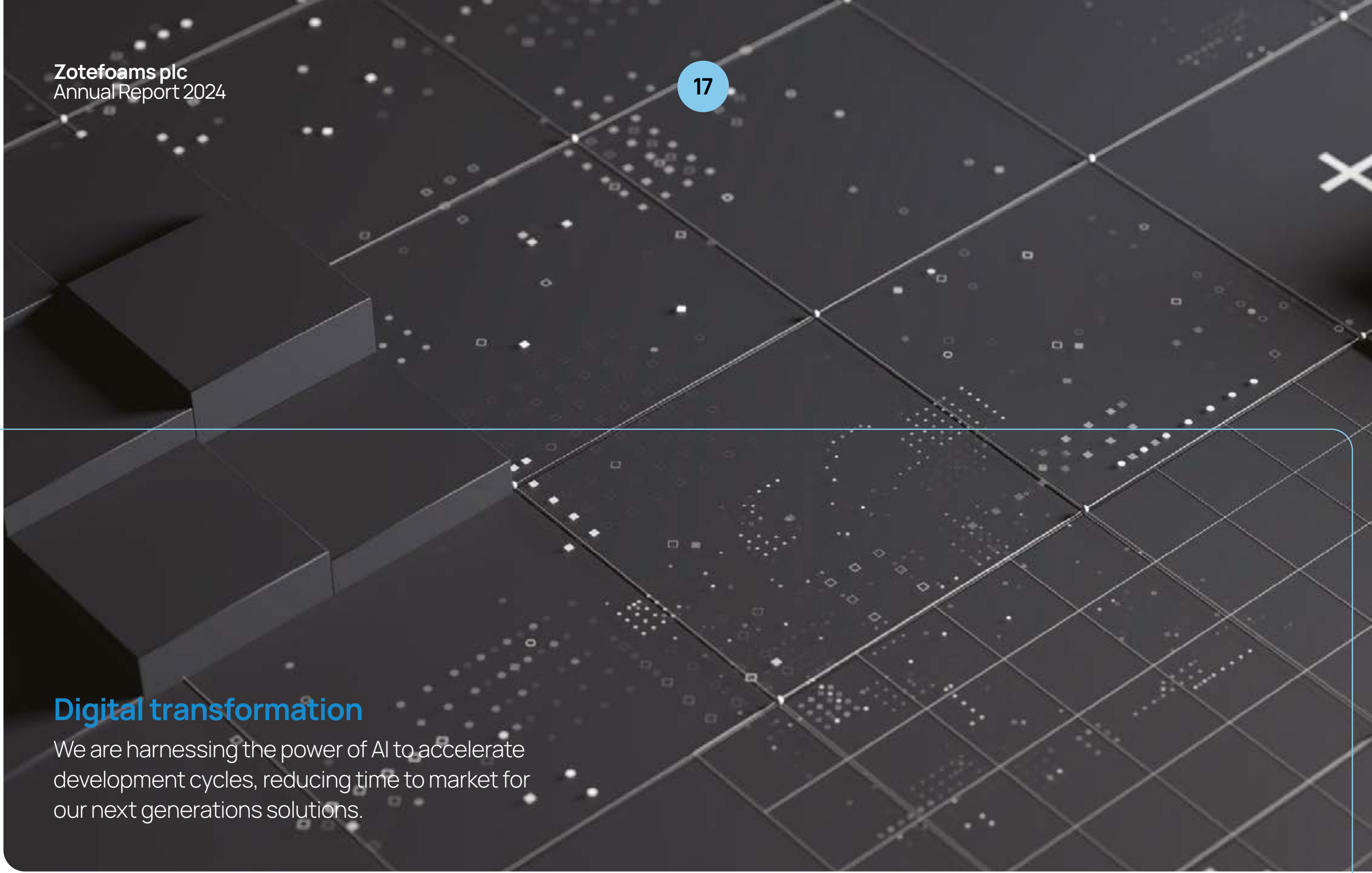
3D foam midsole: eliminates over 90% of waste compared with traditional processes.

Expanding our capabilities

Our UK Innovation Centre of Excellence, independent from production facilities, will drive our technology leadership while safeguarding our intellectual property.

With over 100 years of supercritical fluid foam experience, we are now expanding our capability beyond raw materials to deliver fully engineered solutions to our customers.





Digital transformation

We are harnessing the power of AI to accelerate development cycles, reducing time to market for our next generations solutions.

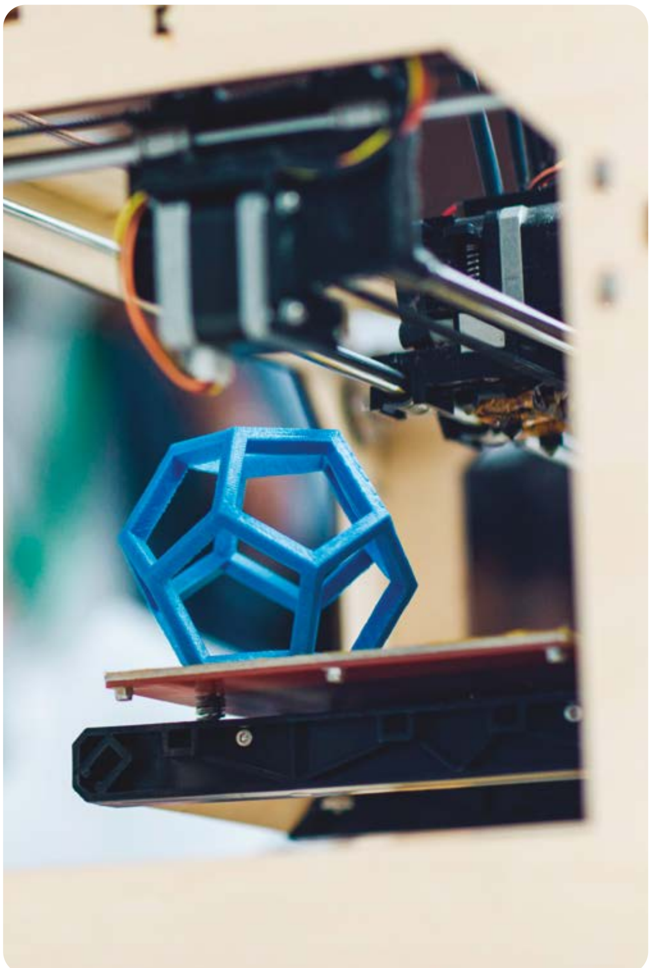
Sustainability focus

Our focus is on sustainable innovation – both enhancing existing technologies and developing new solutions to reduce energy consumption, emissions and waste across the entire value chain.

Shaping the future of foam technology

At Zotefoams, innovation is not just about staying ahead; it's about leading the way. Our investment in sustainable, high-performance materials ensures that we remain the preferred partner for industries looking to push the boundaries of lightweight, durable and sustainable materials.

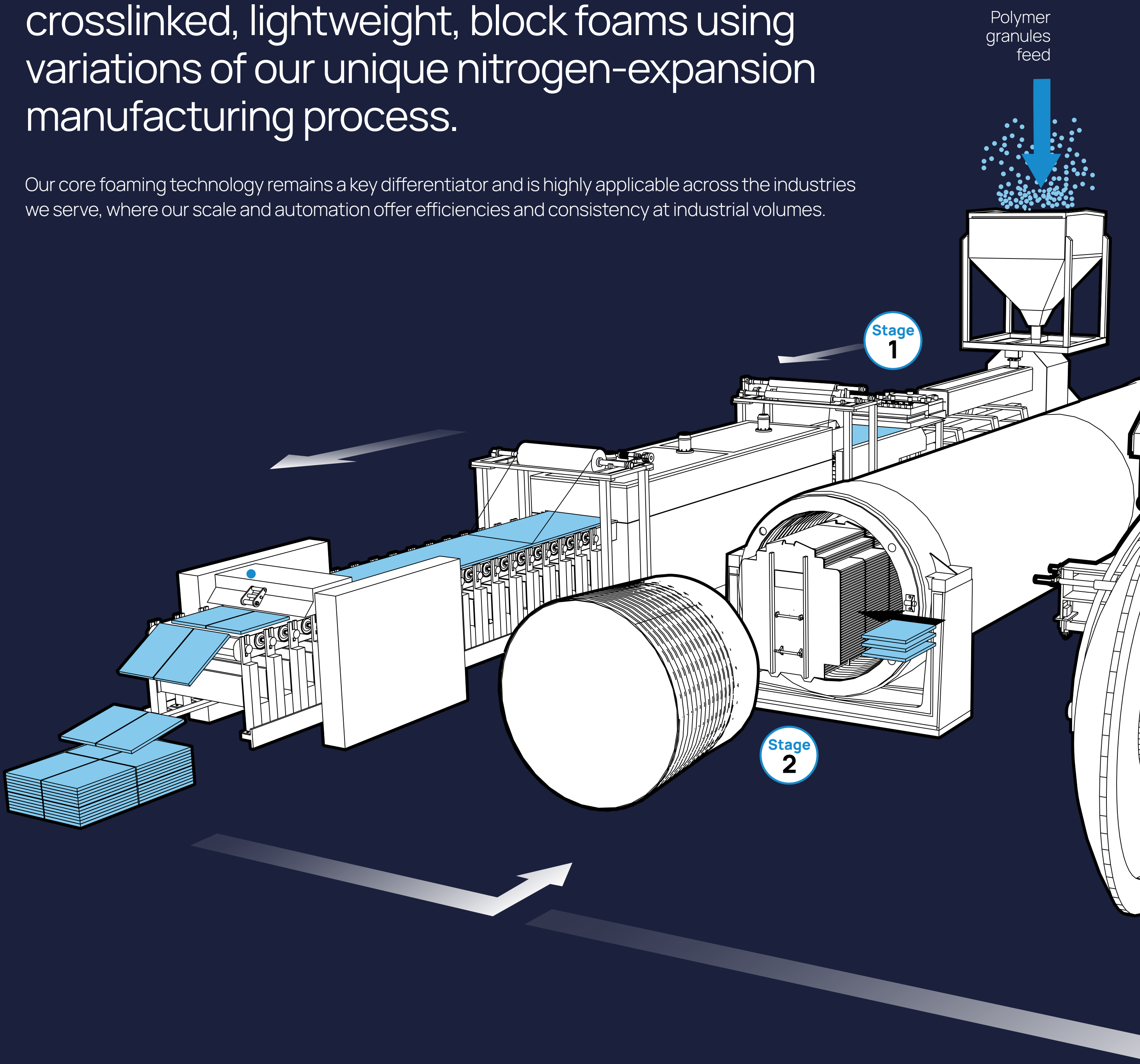
By placing innovation at the heart of our business model, we don't just respond to market shifts; we define them.

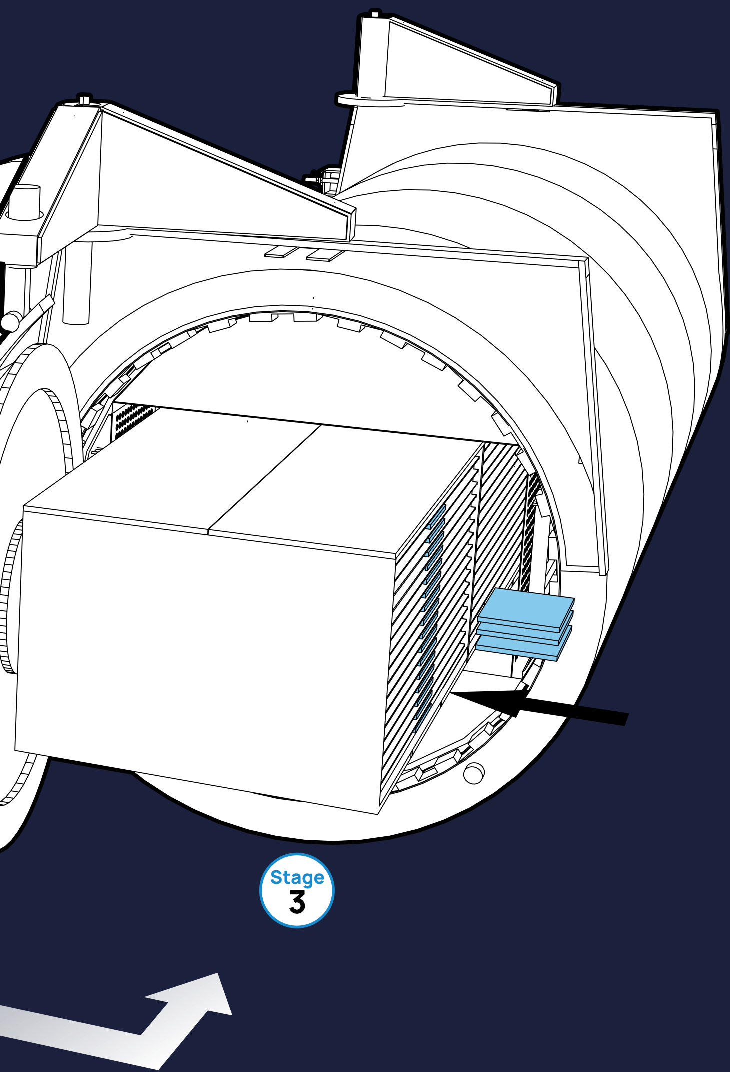


OUR MANUFACTURING PROCESS

The Zotefoams difference. Zotefoams manufactures a wide range of closed-cell, crosslinked, lightweight, block foams using variations of our unique nitrogen-expansion manufacturing process.

Our core foaming technology remains a key differentiator and is highly applicable across the industries we serve, where our scale and automation offer efficiencies and consistency at industrial volumes.





Stage 1

Extrusion and crosslinking

Polymer and any additives (colours, fire retardants, conductive agents) are extruded into a continuous solid plate. The plate passes through an oven which activates the crosslinking process. The plate then cools and is cut into slabs.

Slabs are loaded into a high-pressure autoclave. The material is heated above its melting point and pressurised with pure nitrogen gas. Over a long period of time, the nitrogen gas diffuses into the slabs. A rapid depressurisation destabilises the absorbed nitrogen nucleating cells in the slab. The slabs are then cooled under pressure in the autoclave, locking the nitrogen in the unexpanded slabs, prior to them being unloaded.

Stage 2

Nitrogen saturation

Operating at temperatures up to 250°C, this nitrogen-based process is extremely flexible, allowing us to foam a wide range of polymers. The combination of foaming process and polymer performance delivers properties such as excellent fire resistance, high-temperature stability, toughness and insulation, which are prized in a wide range of demanding applications.

Stage 3

Expansion

The nitrogen-charged slabs are loaded into a large lower-pressure autoclave and, under moderate pressure, are heated to above their melting point. When the pressure is reduced, the nitrogen expands, turning the slabs into larger foam sheets. This expansion process is unconstrained, so is uniform in each dimension.

Scan the QR code to see our process in action
zote.info/3NAZPrP

OUR BUSINESS MODEL

How our business is evolving. Leveraging unique technology through innovation, aligning with an industry focus and being where our customers need us.

Our core proprietary technology allows us to build and expand into new variants and processes

The differential advantage is the use of autoclaves, developed from over a century of experience, using a nitrogen-based process to produce light weight advanced materials that deliver enhanced performance and safety while using less foam

Going narrow and deep in industries with runways for growth and right to win

Positioned for high-value markets and end-use applications

Consumer & Lifestyle

Transport & Smart Technologies

Construction & Other Industrial

Progress along the customer value chain from foam provider to solution partner, delivering sustainable returns for investors

Influence OEM behaviour, move up the value chain from raw material to solutions, driving earnings-multiple expansion

Simplify our business with talent in the right places, and enhance customer journey

Global commercial organisation oriented to key markets

Complete regional businesses, light and effective global functions

Our capabilities help us get closer to our customers

Expansion of capacity and capabilities into all important geographies; we have positioned ourselves where our customers need us

Increased in-region capabilities drive down distribution costs and improve service levels

Our 100+ years of heritage drives continuous innovation to remain market leaders

Innovation Centres to evolve current, and invest in new, technology to reduce energy of manufacture and improve sustainable offering

EXPANDING OUR LEADERSHIP TO BUILD AMBITION THROUGHOUT THE BUSINESS

Simon leads strategic planning and execution, ensuring our long-term vision translates into measurable business success.

Simon Comer
Group Strategy & Delivery Director

Leadership experience **32 years**

Clare oversees our people strategy, which drives our high-performance culture and ensures we attract, develop and retain the talent needed to support our ambitious growth plans.

Clare Farmer
Chief People Officer

Leadership experience **19 years**

Lydia is responsible for corporate governance, regulatory compliance and supporting the Group Executive Team and Board in fulfilling its obligations.

Lydia Harratt
Company Secretary

Leadership experience **20 years**

Karl leads the development of high-performance applications and next-generation foam technologies to ensure Zotefoams remains at the forefront of material science.

Karl Hewson
Group Innovation Director

Leadership experience **28 years**

Simon leads operational activities across Europe, the Middle East and Asia, ensuring we align with regional market trends and customer needs.

Simon Jones
Managing Director, EMEA

Leadership experience **20 years**

Dan leads our operational activities in North America, driving growth and customer engagement in the region.

Dan Lumpkin
Managing Director, North America

Leadership experience **29 years**

Hugh leads our dedicated Footwear business, bringing deep expertise in leveraging performance materials to create high-value solutions for our Footwear customer.

Hugh Morgan
Managing Director, Footwear

Leadership experience **26 years**

Oliver oversees the execution of our global commercial strategy, ensuring a strong market focus and customer-centric approach.

Oliver Ridd
Group Commercial Director

Leadership experience **10 years**

Benito is responsible for optimising our global supply chain and manufacturing operations, ensuring efficiency, resilience and sustainability.

Benito Sala
Group Supply Chain & Operations Director

Leadership experience **26 years**

CHAIR'S STATEMENT

A refreshed, focused strategy, prioritising innovation and profitable growth.

Lynn Drummond
Chair

Dear shareholders

2024 represented the beginning of a transition period for the Group as it sought to invest in its core business, backed by market-leading products, and prepared to expand both sector and geographic presence, underpinned by innovation and an enhanced leadership team. We finished the year in a strong position, with record revenues and profits and a strong balance sheet. The decision to pause our investment in ReZorce® Circular Packaging was difficult but necessary, having been unable to secure the important investing partner the Board considered essential to capture the commercial opportunity the technology offers. However, this frees up resources to invest behind an exciting, refreshed strategy to capture market opportunities where we believe we have the right to win and where there is a clear runway for growth. We are switching from a product focus to an industry focus, moving closer to our customers, increasing investment in sustainable innovation and actively assessing inorganic growth options to extend our capabilities. We are investing in our people and have strengthened our executive leadership team to execute our strategy. We believe that this strategy can deliver compelling returns for our shareholders over the medium term and put the Group firmly on the pathway to revenues of over £300m and operating profit of over £60m. We explain our strategy in more detail on pages 3 to 17.

Board composition

The Zotefoams Board welcomed a new Group CEO to the business during the year. Ronan Cox joined the Board in April 2024 and became Group CEO following the Annual General Meeting held on 22 May 2024, replacing David Stirling.

I would like to offer my personal thanks to David, as well as my thanks on behalf of everyone connected to Zotefoams for his significant contributions to the Group during his 23 years of leadership. On 3 March 2025, the Board announced that Gary McGrath, Group CFO, will retire from his role during 2025. He will remain in his existing role until 31 October 2025 or longer if required, as part of a managed succession process. I thank Gary for his ongoing contribution to the business and wish him the very best in his future retirement.

Dividend

The Board is proposing a 4% increase in the final dividend to 5.10p (2023: 4.90p) which, if approved by shareholders, would make a total dividend for the year of 7.48p (2023: 7.18p), an increase of 4.2%. This reflects the Board's continued confidence in the Group's future and is in line with its progressive dividend policy, recognising the importance to our shareholders of the dividend as part of their overall return. See the Group's approach to capital allocation in the Group CFO's review on page 34. If approved, the final dividend will be paid on 2 June 2025 to shareholders on the register on 2 May 2025.

Sustainability

Our purpose is to provide optimal material solutions for the benefit of society, reflecting our knowledge that, used appropriately, plastics are the best solution for a wide range of sophisticated, long-term applications typically delivered by our customers. The Board is focused on the importance of sustainability, and we are targeting an increase in our investment in sustainable innovation while continuing to consider the impacts of climate change in everything we do. Further progress was made in 2024 towards our sustainability targets. See the Group CEO's review on page 25 and the ESG report on pages 56 to 71.

Acting responsibly

The Board leads an ongoing programme to ensure the highest standards of corporate governance and integrity across the Group and has remained abreast of developing governance standards. The Board's interactions and communications with executive management continue to be excellent and, as a result, the Board is well placed to challenge, guide and support executive management in the delivery of the growth strategy. We continue to pay particular attention to the provision of a safe working environment for our staff across all global locations and to the empowerment of our employees. The Board also acknowledges the benefits of diversity, including that of gender and ethnicity, and is committed to setting an appropriate tone from the top in all diversity and inclusion matters.

Looking to the future

Zotefoams has well-invested and differentiated assets across EMEA and North America alongside committed, capable and passionate people and our refreshed strategy expands the Group beyond this core, supporting future profitable growth. Our recently announced investment in Vietnam, supported by a new Innovation Centre in Busan, South Korea will ensure that Zotefoams is in a strong position to amplify the success of its strategic move in the footwear market, which now represents the Group's largest segment by revenue. While we are mindful of ongoing macroeconomic and geopolitical headwinds, we remain confident about our future prospects for sustainable growth, improving returns and strong cash generation.

L Drummond
Chair

7 April 2025

GROUP CEO'S REVIEW

Zotefoams has delivered strong business performance, reporting a 16% increase in revenue and 20% growth in operating profit before exceptional items, both of which are at record levels for the Group.

Ronan Cox
Group CEO

Overview

As a result of this strong business performance, and our continued investment to support capacity and innovation, the Group remains well positioned to take market share and capitalise on significant opportunities in our exciting supercritical fluid foams markets. In recent years and throughout 2024, the business has comprised two distinct elements: the manufacturing and sale of specialist foams, which is well established, profitable and growing; and the MuCell® business (MEL), which, over the past five years transitioned into a development project focused on ReZorce® Circular Packaging, an innovative and sustainable barrier packaging alternative to existing composite solutions. Going forward, under my leadership, the Group will pivot from a product to an industry-led approach in order to support our wider growth ambitions.

Group revenue in 2024 was a record £147.8m, 16% higher than the previous year (2023: £127.0m), with significant growth in Footwear and modest growth in our ZOTEK® technical foams and North American polyolefin foams businesses. This performance demonstrates the strength of our core product portfolio and the success of an industry-focused strategy. MEL, at £1.2m, was a far smaller part of Group revenue. Our operating profit growth of 20% before exceptional items was pleasingly ahead of our revenue growth and, alongside improved cash generation, the business enters the 2025 financial year well positioned for continued profitable growth.

Our business strategy targets the expanding market for differentiated, high-performance foam materials, driven by three fundamental macro-trends:

1. increasing urbanisation and ageing demographics
2. enhanced safety regulations
3. growing demand for environmental sustainability.

These trends, combined with our commitment to sustainability and safety across all operations, position us well for future growth. Building on our century-long heritage in specialist foam manufacturing, Zotefoams is embarking on a refreshed strategy that expands beyond our core capabilities through strategic investments and deeper customer partnerships. By leveraging our supercritical fluid foam technology and investing in innovation and customer-focused manufacturing capabilities, we will strengthen our position to capture long-term growth opportunities driven by the increasing demand for sustainable, innovative, lightweight and durable materials. Our medium-term ambition is to grow Group organic revenue well in excess of £200m, operating profit in excess of £40m, cash conversion above 95% and ROCE beyond 20%.

Formative impressions

I became Group CEO of Zotefoams in May 2024 and have spent significant time engaging with our teams, customers and operations across the business. What I have found is a company comprising dedicated teams with extraordinary technical capabilities and significant untapped potential for growth.

The foundation of our success lies in our talented workforce, particularly our concentration of STEM specialists, who have established Zotefoams as the clear market leader in crosslinked and low-density polyethylene block foams. This technical excellence has enabled us to build and maintain strong relationships with major Original Equipment Manufacturers across a range of sectors globally.

A key observation has been the substantial value our products generate throughout the value chain. There is a clear opportunity to better structure and formalise relationships with distributors and fabricators, potentially capturing more of this value. This forms part of a broader opportunity I see for Zotefoams to create its next growth curve by expanding further beyond our UK core base and traditional block foam offerings. With much of the required investment already made in building capacity globally, this will be a key driver in delivering profitable growth in selected high-opportunity industries.

2024	United Kingdom	Continental Europe	North America	Rest of the world*	Total
Change %	**7%**	**(6%)**	**6%**	**37%**	**16%**
Group revenue (£'000)	**12,740**	**30,475**	**28,696**	**75,880**	**147,791**
% of Group revenue	**9%**	**21%**	**19%**	**51%**	**100%**
2023					
Group revenue (£'000)	11,879	32,514	27,195	55,387	126,975
% of Group revenue	9%	26%	21%	44%	100%

* Rest of the world comprises China: £34.9m (2023: £27.1m) and other countries: £41.0m (2023: £28.3m).

GROUP CEO'S REVIEW (CONT.)

Our technical capabilities and market position give us a strong right to win in several exciting growth industries. Many of these are already well served by our current product base; however, there is still scope to expand in these industries. To capitalise on these opportunities, in some instances we may choose to advance along the value chain and deploy new technologies. While M&A has not historically been a core focus for Zotefoams, we have begun to develop this capability during 2024 and view it as a complementary accelerator for growth alongside organic investment and strategic partnerships. Our M&A strategy is well defined and will ensure that we remain disciplined in our approach to this growth opportunity.

Innovation will be central to our future success. Our global leadership in foaming technologies enables us to work with an extensive range of polymers – from commodity materials right through to highly engineered materials – creating both rigid and flexible foamed products that can effectively compete against traditional plastics, metals, composites and other performance materials.

Looking ahead, I see significant runway for both revenue and margin growth. Global trends favouring clean products, lightweighting, durability, sustainability and enhanced technical performance align perfectly with our capabilities. Our emerging technology initiatives, and associated investment priorities, including new capacity in Vietnam, are designed to bring us closer to customers and move along the value chain, while making our core supercritical fluid foams business more cost-effective and sustainable.

Strategic market realignment

During 2024 and into 2025, we engaged a reputable global market research organisation to help us perform an extensive market mapping study. The current core business focuses on a portion of the £4bn polyolefin foams market, with some participation in select high-performance engineered polymer foam applications. This has historically limited our addressable market to approximately £0.8bn within these segments. However, with the strategic direction we intend to take, moving along the value chain and expanding Zotefoams' technology platforms, we can now set our sights on a significantly larger £15bn market opportunity – £4bn polyolefin and £11bn engineered polymers.

To meet this opportunity, we are implementing a shift in how we view and serve our markets. Moving beyond our traditional product-centric structure of Polyolefin Foams and High-Performance Products (HPP), we are realigning our commercial teams around three core market verticals:

- **Consumer & Lifestyle** – encompassing our Footwear business alongside other applications in sports, leisure and personal care
- **Transport & Smart Technologies** – includes our aviation, automotive and medical applications
- **Construction & Other Industrial** – captures our growing presence in building technologies and other industrial applications.

This strategic shift recognises that most of our customers can benefit from products across our entire portfolio. By organising around market verticals rather than product lines, we can better serve our customers' complete needs and unlock additional value through our comprehensive solutions offering.

This industry-focused approach, combined with our new regional operating model, creates a powerful platform for growth. Our regional teams can now leverage our full product portfolio to provide integrated solutions within each market vertical, while maintaining the technical excellence that underpins our success. This structure enables us to:

- develop deeper market understanding and customer relationships
- create more comprehensive solutions using our entire product range
- identify cross-selling opportunities more effectively
- drive innovation based on industry needs rather than product capabilities
- streamline customer engagement through single points of contact.

These market verticals each contain significant sub-segments with strong growth potential. For example, Consumer & Lifestyle encompasses our Footwear business alongside other applications in sports, leisure and personal care, Transport and Smart Technologies includes our aviation, automotive and medical applications, while Construction & Other Industrial captures our growing presence in building technologies and other industrial applications.

This reorganisation aligns with our strategic focus on sustainable growth and value creation, enabling us to better serve customers locally, while leveraging our global capabilities and innovations across all product technologies. We believe that this transformed commercial strategy will enable sustained organic growth well ahead of underlying markets, with a target for Group revenues to exceed £200m by 2029.

Strategic investment in technology and innovation

Zotefoams invests in assets and technology with the capability to support the growth opportunities afforded by its diverse and often unique products. During the year, we continued to pursue a strategy of mix-enrichment and increasing asset utilisation and, for the first time, revenue generated from our HPP business unit (ZOTEK and T-FIT® brands) exceeded that in our Polyolefin Foams business (AZOTE® brand). We made good progress preparing to install our second low-pressure autoclave in the USA, which will provide additional expansion capacity and supplement an ageing asset in a critical region where we see significant growth opportunities. We also partnered in May 2024 with Suzhou Shincell New Materials Co., Ltd ("Shincell") of Suzhou, China, accessing Shincell's technology via a licensing agreement and thereby extending our technical capabilities and know-how, enabling a wider scope of products and processes in both new and existing markets and enhancing the Group's technology platform for new products to deliver growth.

During the year, we also began the transition to a new internal, regional operating model. This model marks a fundamental shift in how we approach and serve our markets, moving us beyond our traditional product-centric structure to an industry-oriented organisation that can better capture global opportunities while maintaining our technical leadership. The new structure is organised across EMEA, North America and Asia and enables us to align our capabilities more closely with customer needs and regional market dynamics. There has been significant recruitment of new talent to support this reorientation, and the operating model became effective from the beginning of the new year.

This strategic evolution delivers two key advantages:

Firstly, it enables us to manage key customer relationships on a truly global scale. Many of our most significant customers operate across multiple regions and require a diverse range of material solutions, and our new structure allows us to serve them more effectively with coordinated account management and consistent service levels. This is particularly valuable in sectors such as aviation, automotive and footwear, where global programmes require seamless coordination across regions and where our customers require diverse material solutions that can be satisfied from across our portfolio of products.

Secondly, our regional model creates platforms for accelerated growth through organic expansion, partnerships and strategic M&A opportunities. Each region now has the autonomy to pursue market opportunities while leveraging our global leadership in technology and innovation. This structure positions us to better identify and implement downstream activities that can enhance our market presence or technical capabilities within specific regions.

Our industry approach is supported by well-invested assets and capacity. We also see significant opportunity for accelerated growth through increased investment in new technology and manufacturing capabilities. A planned facility in Vietnam, alongside our existing operations in the UK, USA and Poland, demonstrates our commitment to positioning our manufacturing capabilities closer to key customers and growth markets, which in this case is our important Footwear market, and capitalises on innovation within our own technology. Zotefoams will also establish a small purpose-built Footwear Innovation Centre in Busan, South Korea, that will allow us to work more closely with key partners and allow a more rapid and responsive product development capability in this rapidly evolving industry. See "Capacity and investment" below, for further information.

Our primary focus is on driving organic growth, but we do see opportunity to use targeted M&A as a new growth lever where it meets our stringent criteria. We plan to enhance value through either market consolidation, where we expand our portfolio with complementary products, acquire technologies to deepen our expertise, or through downstream extension, where we will shorten the value chain, gain machining and processing capabilities and get closer to our customers, while respecting our existing customers, many of whom are active in this area.

Cultural transformation

Underpinning this strategic shift is a significant cultural transformation centred on our new values of Courage, Impact and Respect. These values reflect both our heritage of technical innovation and our ambition to become an even more customer-centric organisation.

Courage enables us to challenge conventional thinking and pursue ambitious goals. This should manifest itself in developing innovative solutions for customers, entering new markets, or implementing organisational change to drive operational efficiencies. Our teams are encouraged to think boldly about how we can better serve our markets and customers.

Impact focuses our attention on delivering meaningful results for all stakeholders. Whether through product innovation, operational excellence, or customer service, we measure success by the tangible value we create. This value-driven approach guides our investment decisions and strategic initiatives across all regions.

Respect acknowledges the importance of collaborative relationships – with colleagues, customers, suppliers, shareholders and communities. In our new regional structure, this translates into stronger local partnerships and a deeper understanding of market needs, whilst maintaining strong global coordination.

These values are being embedded through comprehensive leadership programmes, regular cross-regional forums, and enhanced communication channels. Our new regional structure provides additional opportunities for career development and knowledge-sharing across markets, strengthening our global capability whilst maintaining local market expertise.

Sustainability

Sustainability remains integral to both our operations and value proposition. Our products typically serve long-term, multiple-use applications and many can be recycled at end-of-life, contributing positively to our customers' sustainability objectives. In 2024, we observed an accelerating trend towards lighter-weight foams across several markets, particularly in our Polyolefin Foams business. This evolution aligns with our commitment to resource efficiency, reducing material usage while delivering cost benefits to our customers.

We continue to make progress against our environmental targets for Scope 1 and 2 emissions through focused initiatives in energy consumption, material efficiency, and waste reduction. In 2024, we maintained our momentum in reducing energy consumption and waste while increasing our recycling rates, often incorporating recycled material into new foam products. Our core markets increasingly demand best-in-class solutions that align with our purpose of delivering optimal material solutions for the benefit of society.

Following our commitment made in 2023, we conducted a comprehensive review of our environmental strategy during our 2024 Board strategy session and are now developing science-based targets. We maintain our adherence to ISO 14021:2016 guidelines for environmental claims, ensuring independent certification where appropriate.

Notably, in 2024, 89% of our revenue came from products classified as "green" based on resource efficiency criteria, demonstrating substantial improvements in resource utilisation during either manufacture or use. This metric underscores our commitment to sustainable innovation and our ability to meet evolving market demands for environmentally-conscious solutions.

Our planned investment in Vietnam is scalable and transitions manufacturing from larger flat sheets to individual 3D foam parts, which particularly suits the demands of the footwear customer, significantly reducing the skeleton of waste. Being close to the customer, it also significantly reduces transport. Our planned investment in an Innovation Centre of Excellence in the UK will build on our supercritical fluid foaming technology, which demonstrates its green credentials through the absence of chemical foaming agents, foams that carry lighter weight and thus use less material, and foams that are durable and last longer. This facility will help us to further evolve existing technology, and invest in new technology, to reduce the energy used in manufacture and improve the Group's sustainable offering.

Executing the strategy

We expect this strategy to grow sustainable cash flows and increase shareholder returns. We will:

- transform from a position of strength to get closer to the customer
- orientate our activities to where we have the greatest runway for growth and the right to win
- innovate to create the next generation of supercritical foams, doubling down on weight and waste reduction and bringing new technical performance
- target M&A to move the Group along the value chain and/or introduce new technology.

We have invested into the Group Executive Team in order to deliver on our strategic priorities and drive profitable growth. To be fit for the future, and with a new operating model and structure realigned for growth, we will remove waste from our processes and automate, using AI where possible and appropriate. In 2025, we will target inefficiency in sales, general and administration spend as well as in indirect manufacturing overhead spend, with possible annualised savings of up to £3–4m, £1–2m of which will be reinvested in this refreshed strategy.

Through increased focus on the customer, continued commitment to innovation, expanding capability to move up the value chain and enhanced organisational execution, the Group is targeting ambitious progress in the medium term:

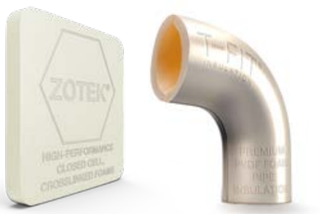
- Organic growth of 7% CAGR to deliver FY2029 revenue of >£200m
- Operating margin of over 18% by FY2029
- ROCE of over 20% by FY2029
- Cash conversion of >95%.

These 2029 targets reflect a longer-term ambition to grow revenues to >£300m and operating profit to >£60m, with the opportunity to accelerate progress through inorganic growth.

GROUP CEO'S REVIEW (CONT.)

HIGH PERFORMANCE PRODUCTS (HPP)

ZOTEK® T-FIT®



Segment revenue

£79.6m

Change +37%
2023 £58.1m

Segment profit margin

26.9%

2023 26.5%

Segment profit

£21.5m

Change +39%
2022 £15.4m

In 2024, our HPP business unit performed very well, with volumes up 39% and sales growing significantly to £79.6m (2023: £58.1m), after an FX headwind of £2.4m. The year marked a key milestone at Zotefoams, with sales in the HPP business unit surpassing those of Polyolefin Foams for the first time. The business unit comprises three main product groups: footwear, ZOTEK fluoropolymer foams and T-FIT technical insulation.

The footwear segment, primarily serving the performance running shoe market with specialist midsole materials, delivered robust growth with sales reaching £66.1m (2023: £45.3m), an increase of 46%. In addition to strong underlying growth in the platforms we supply foam for, this growth also benefited from an Olympic year, supply chain reconfiguration of our end customer, a rebuild in inventory at the beginning of the year by our direct customers related to Red Sea logistical challenges and, later in the year, additional demand as Nike embarked on its strategy of building back the trust of wholesale partners in line with their CEO's strategy. Longer term, our investment in Asia will increase our total addressable market in the footwear industry by bringing us to the heart of the athletic footwear manufacturing base, supplying 3D parts and being more cost effective by reducing customer material waste and leveraging a lower cost of production.

Our exclusive partnership with Nike until 2029 continues to yield benefits beyond pure sales, enabling deeper collaboration on supply chain optimisation, production efficiency and environmental sustainability. A notable achievement has been the near elimination of waste in our foam production process, with most scrap in our manufacturing process being successfully reintegrated into the footwear supply chain. Our pricing mechanism with Nike maintains transparency, reflecting material input costs, production efficiencies and foreign exchange movements. We also recognise the opportunity to reduce foam waste in our Tier 1 partner manufacturing processes, which currently sits as high as 50%, and the move to a new production technique in an Asian facility will reduce this waste by as much as 90%.

Beyond footwear, our ZOTEK brand offers advanced foamed sheet materials for technically demanding applications globally. The aviation sector remains a key market, where our materials meet critical requirements for insulation and fire performance while minimising weight – major factors in both safety and sustainability. The portfolio serves additional sectors including space, automotive, technical packaging, military and personal protection through a diverse range of foams with specific properties, achieved through our unique combination of material selection and proprietary foaming technology.

ZOTEK F materials, our largest product offering within the portfolio, experienced a 7% increase in sales value to £7.0m (2023: £6.5m). While the aviation sector, particularly Boeing, continues to face challenges despite robust order books, we anticipate significant growth as these issues resolve and we diversify our offering with other aircraft manufacturers. The high input cost inflation reported previously began to impact profitability as we consumed previously purchased inventory. We implemented pricing adjustments from 2024, carefully balancing full cost recovery against our long-term growth ambitions. ZOTEK F foam sheet sales represented 9% of HPP segment sales (2023: 11%).

T-FIT insulation, manufactured using our HPP products and specifically designed for clean processing environments, saw sales decline marginally to £5.8m (2023: £5.9m). Performance varied by region, with China showing growth in food processing but experiencing slower activity in biotech and pharmaceutical sectors, alongside lower conversion rates on larger targeted projects. India demonstrated strong growth across our portfolio. We are strengthening our position in other markets through strategic staff investments and enhanced sales processes. Our manufacturing strategy combines local production – either at Zotefoams facilities or through trusted partners – for North American and European markets, while our Chinese facility supplies other markets and the complete dimensional range globally. T-FIT sales accounted for 7% of HPP segment sales (2023: 10%).

Segment profit reached £21.5m (2023: £15.4m), delivering a margin of 26.9% (2023: 26.5%). The majority of the increased inventory provision made in 2024 affected slow-moving HPP foams, without which the segment margin was 28.5%, an increase of 200 bps.

POLYOLEFIN FOAMS

AZOTE®

Segment revenue

£66.9m

Change -1%
2023 £67.6m

Segment profit margin

8.2%

2023 11.1%

Segment profit

£5.5m

Change -27%
2023 £7.5m

In 2024, the Polyolefin Foams business experienced mixed performance across regions and market segments, with overall volumes showing modest growth globally. While North American volumes increased by 23%, EMEA saw a decline of 5%, resulting in 4% lower overall volumes compared with 2023.

Sales performance varied significantly by region and market segment. In Europe, which represents the majority of segment sales, sales were down 8%, with performance impacted by economic headwinds, particularly in Germany where automotive and construction markets reached their lowest levels since 2008–2009. The UK showed resilience with a 4% revenue growth despite lower volumes, driven by strong average selling prices and new projects in construction and industrial applications. The Far East demonstrated robust growth with an 18% revenue increase, driven by new electric vehicle battery applications and strong performance in high-margin aviation, semiconductor, and medical segments. Overall, the EMEA region saw a 3% sales decline.

Sales in the North American business grew 3%, but there were significant shifts in market mix, with automotive volumes increasing by 55% while higher-margin segments such as medical and military experienced declines. The medical segment faced temporary challenges due to inventory adjustments at key customers, while military sales were impacted by reduced aircraft production schedules and lower demand for specialised products. The outlook for these segments as we head into 2025 is more positive.

The main polymers used in our Polyolefin Foams business are low-density polyethylene (LDPE) and other similar polyolefins. During the year, the price of LDPE held steady at 2024 levels and in Europe was trending around its long-term average when the turbulence of the COVID years is excluded. LDPE pricing is related to the pricing of its feedstock and ethylene, and the regional supply vs demand balance.

In 2024, profitability was impacted by product mix as well as increased operational costs, particularly in labour and maintenance. Labour costs increased due to inflation, with salary increases averaging 7% in EMEA, and strategic additions to our workforce, where the Group made significant staffing investments in North America to support increased production capabilities, volumes and quality initiatives to ensure we are well placed to capture the growth opportunities in this region.

Manufacturing efficiency continued to be a focus across all facilities. We manufacture polyolefin foams in three facilities, with full-process manufacture in the UK and USA and foam expansion, fabrication and logistics in Poland. An increasing proportion of European business is served through our Polish facility, which is now operating 24 hours a day, six days per week. In North America, additional production supervisors and fabrication operators were added to support increased demand in specialised segments, and staffing levels at our fabrication facility in Tulsa were increased to support an extension to our service offering, while both UK and US facilities focused on continuous improvement initiatives.

Segment profit for Polyolefin Foams declined by 27% to £5.5m and margin fell from 11.1% to 8.2%. However, several positive developments emerged, including new project wins in the UK that are expected to continue into 2025, strong growth in high-value applications in the Far East, and improved operational capabilities across our manufacturing network.

Looking ahead, our focus remains on optimising our product mix, continuing operational improvements, and capitalising on growth opportunities in emerging applications, particularly in the electric vehicle and specialised industrial segments. The business maintains a strong foundation for future growth, supported by our global manufacturing footprint and diverse market presence. Our new regional operating model will enable better market responsiveness and customer service, while our continued investment in manufacturing efficiency positions us well for margin recovery as market conditions improve.

MEL

In December 2024, following a comprehensive strategic review, we made the decision to pause investment in ReZorce Circular Packaging technology to focus our resources and innovation capabilities on our core supercritical fluid foams business, where we see substantial opportunities for growth and value creation.

During 2024, the Group achieved several important technical milestones with ReZorce and produced an award-winning beverage carton capable of being run at full industrial speed through existing production machinery. Validation that the packaging was food sterile was still pending, but the route to this was clear and considered readily attainable, albeit requiring more time to complete.

GROUP CEO'S REVIEW (CONT.)

This disruptive technology had demonstrated compelling sustainability credentials, including potential carbon footprint reductions of over 50% for commonly packaged foodstuffs. Despite these achievements and an extensive process across the value chain to secure a strategic partner, supported by specialist advisers, we did not identify a partner prepared to advance the technology. Given the capital investment, market access and expertise required to achieve high-volume production of finished packaging, the Board had consistently believed that a strategic partner was necessary to realise the commercial potential of the ReZorce technology. Based on the feedback from this process, we concluded that the inherently low visibility over factors such as pricing, within the overall evolution of the packaging market, when set against the capital commitments required, was the principal reason why the process had been unsuccessful.

The intellectual property and know-how associated with ReZorce remains well protected and will be retained by the Group in order to preserve its ability to realise the value of the unique technology, should market conditions become more favourable.

Revenue from our MEL business unit remained at £1.2m (2023: £1.2m), while the segment loss before amortisation of acquired intangibles increased to £4.6m (2023: £4.1m). Following this strategic decision, we have recognised a non-cash asset impairment of £13.8m and provided for related closure costs of £1.4m and treated the combined amount of £15.2m as exceptional items in the 2024 financial statements.

Going forward, small revenue streams from royalties at existing customers of MuCell Extrusion LLC will continue, and costs will include those to protect patents considered of value. An agreement with Censco LLC will see MEL equipment assembled and sold globally by Censco, for which royalty payments will be received.

Capacity and investment

Our manufacturing excellence is built on three core processes: polymer sheet extrusion, high-pressure nitrogen gassing, and controlled expansion. This specialised infrastructure represents a significant competitive advantage, supporting multiple production lines and enabling flexible manufacturing across our product portfolio.

In the UK, our investment strategy is targeted at driving operational excellence through cost reduction and efficiency improvements, directly supporting our sustainability goals. The UK facility remains our centre of excellence for HPP products and serves as a strategic hub for preliminary production of certain polyolefin products, which are then finished in Poland to optimise logistics and reduce environmental impact. A new Innovation Centre of Excellence is being established in the UK to develop platform technologies that can be implemented across industries, providing the next generation of industry solutions; it will work hand-in-hand with the Footwear Innovation hub in Asia. The UK Innovation Centre of Excellence will protect our know-how and trade secrets, give us access to great talent and will build on a strong legacy of material and process innovation. We will evolve current, and invest in new, technology to reduce the energy of manufacture and improve our sustainable product offering. It will also enable us to design products and processes that significantly reduce waste and emissions along the value chain while delivering even greater performance characteristics.

Activity in our Polish facility increased significantly in 2024, with the capacity being used to support growth in both polyolefin foams and high-performance product lines. In 2025, we will continue to drive up utilisation of this investment and assess how this modern facility with a well-skilled workforce can contribute further to the refreshed Group strategy.

We are executing an expansion strategy in the USA, where market opportunities are compelling. Our £10m investment in a second low-pressure autoclave, alongside upgraded systems and expanded warehousing, is progressing on schedule for early H2 2025 completion. This investment will significantly enhance our capacity and operational resilience in this key market.

As announced on 10 March 2025, the Board has approved strategic investments in Vietnam and Korea to support our growing Footwear business, positioning us closer to key end markets and customers. This investment represents a transformative move to secure our position as Nike's key, high-end, foam technology partner. Vietnam, a global hub for athletic footwear manufacturing, offers proximity to customers, faster lead times and reduced environmental impact through shortened supply chains and a significant reduction in material waste. Innovation of the Group's own manufacturing core technology will enable the £24m Vietnam facility to offer additional footwear capacity with improved flexibility, allowing modular increments, faster implementation and a lower cost than previous builds. The investment will create a state-of-the-art manufacturing facility capable of initially producing approximately 10 million pairs of midsole preforms annually. A £2m, cutting-edge innovation centre in South Korea will provide a platform to showcase Zotefoams' unique technology and enable a more rapid and responsive product development capability in a fast-moving industry. The total investment in these facilities will be spread across 2025 (c.£8m), 2026 (c.£11m) and 2027 (c.£7m) and be funded from the Group's existing financing facilities and cash flow. These investments secure our Nike partnership and establish a foothold in Asia's broader manufacturing ecosystem for future growth.

Measuring strategic progress

We track five key metrics that drive value creation:

1. Product mix enhancement: 2.8% improvement in adjusted average selling price (2023: 2.7%), reflecting success in growing our higher-value portfolio.
2. Asset optimisation: 5.6% improvement in asset utilisation (2023: 2.6%), supported by a 2.1% increase in effective capacity (2023: 1.5%) through manufacturing efficiency gains.
3. Margin development: Operating margin before exceptional items increased 40 bps to 12.3%, supported by HPP growth and manufacturing efficiencies. Operating margin for our core business (excluding MEL) increased 20 bps to 15.7%. Our medium-term ambition for operating margin is to surpass 18%.
4. Capital efficiency: Return on average capital employed (ROCE), which excludes the exceptional items, increased to 11.7% (2023: 10.3%). Removing MEL, ROCE increased to 16.0% (2023: 14.2%). Additionally, working capital now represents 33% of net sales, down from 41% in 2023, reflecting enhanced management of receivables, inventory and supplier terms. Our medium-term ambition for ROCE is to surpass 20%.
5. Sustainability leadership: Environmental sustainability remains fundamental to our strategy, with ESG metrics integrated into our financing arrangements and robust internal targets.

People

Safety remains our highest priority. While we experienced four reportable incidents in 2024, see page 71, our overall safety metrics continue to outperform industry benchmarks by approximately 66%. Each incident has been thoroughly analysed, with corrective actions implemented and reviewed at Board level.

We are strengthening our culture through enhanced employee engagement, including the launch of our new corporate values and regular executive leadership team townhalls across all regions. Our ambition to achieve Great Place to Work accreditation underscores our commitment to creating an exceptional workplace environment.

On behalf of the Board and my executive colleagues, I extend sincere thanks to all Zotefoams employees and their families for their dedication and support throughout the year.

Forward-looking statements

Forward-looking statements have been made by the Directors in good faith using information available up until the date they approved this Annual Report.

Current trading and outlook

We have made a positive start overall to 2025, with our Consumer & Lifestyle and Transport & Smart Technologies verticals performing well across all regions. Demand in our Construction & Other Industrial vertical remains more subdued, as expected, but we continue to anticipate some improvement in conditions as the year progresses.

We have set out, and are executing, a refreshed, focused strategy, prioritising innovation and profitable growth. Our market realignment is progressing well as we transition from a product-centric to an industry-led approach. Our investment in manufacturing excellence is advancing, with continued good progress towards completion of our £10m expansion in the USA, which remains on schedule for early H2 2025 commissioning, and we are commencing with investments in our Innovation Centre of Excellence in the UK, our Innovation hub in South Korea, and our new manufacturing facility in Vietnam.

The emerging trade landscape, including recent trade tariffs, creates both challenges and opportunities for Zotefoams. While these may impact global supply chains and market dynamics, our diversified manufacturing footprint across the UK, USA, Poland and, soon, Vietnam positions us well to navigate these uncertainties and potentially capture market share from less adaptable competitors.

Our new regional operating model, launched at the start of 2025, structures our business across EMEA, North America and Asia. This enables us to better serve our customers' complete needs through a global commercial team that coordinates decisions worldwide, while execution and delivery happens regionally. This product-agnostic approach creates a platform for accelerated growth. In 2025, we will target inefficiencies in overheads, with identified annualised savings to be in part reinvested in our refreshed strategy.

Polymer and energy input prices remain relatively stable; however, we are monitoring these closely for the impact of tariffs, and our focus on improved asset utilisation, product mix, price increases and operational efficiency continues to be our key driver of margin enhancement.

While we remain mindful of the uncertain economic backdrop and the evolving trade landscape, we are confident in our ability to deliver another year of good progress for Zotefoams. With a refreshed strategy and investment in significant growth enablers under way, we are excited by the potential for the Group to deliver both on its medium-term targets and longer-term ambition.

R Cox
Group CEO

7 April 2025

GROUP CFO'S REVIEW

A significant increase in revenue and profitability within the foams businesses, led by 46% growth in Footwear sales. Profit before tax is impacted by exceptional costs in our MEL business as we pause investment in our ReZorce® Circular Packaging technology.

Gary McGrath
Group CFO

Overview

Group revenue increased significantly to £147.8m (2023: £127.0m), with HPP revenue increasing 37% to £79.6m and exceeding sales of AZOTE® polyolefin foams for the first time. At constant currency, Group revenue increased 20% to £151.8m.

Before exceptional items, operating profit for the year grew 20% to £18.1m and profit before tax (PBT) increased 19% to a Group record of £15.3m (2023: £12.8m), after higher interest charges. In December, the Board made the decision to pause investment in our ReZorce Circular Packaging technology, having been unable to secure a strategic investing partner, identified as critical to enable commercialisation and scale-up of this award-winning, sustainable technology. We have recorded an exceptional charge of £15.2m in the consolidated income statement, which comprises a £13.8m asset impairment and a £1.4m provision for closing costs. After these exceptional items, operating profit for the year declined 80% to £3.0m and PBT declined 99% to £0.2m. Currency movements negatively impacted PBT by £1.0m.

The underlying foams business, comprising the Polyolefin Foams and High-Performance Products business units, achieved a significant increase in PBT of 18% to £20.3m (2023: £17.2m), while MEL operating losses, before exceptional items, increased to £4.9m (2023: £4.4m). With the pausing of investment in ReZorce, MEL operating losses generated from the ReZorce project will no longer be incurred.

Basic earnings per share (EPS), excluding the exceptional items, increased 37% to 25.95p (2023: 19.00p). EPS after the exceptional items declined to a loss per share of 5.66p. Return on capital employed (ROCE, see section 'Return on capital employed' for definition) increased to 11.7% (2023: 10.3%). Excluding MEL, ROCE increased to 16.0% (2023: 14.2%).

The Group's balance sheet at 31 December 2024 is strong, with the leverage multiple (calculated as a multiple of net debt to EBITDA using definitions under the bank facility agreement, see section "Debt facility") improving to 0.9x (31 December 2023: 1.2x) and financial headroom of £25.7m (31 December 2023: £19.4m).

Summary P&L

	Zotefoams Group			Foams business units only		
	2024	2023	Change (%)[1]	**2024**	2023	Change (%)
Net revenue	**147.8**	127.0	16	**146.6**	125.7	17
Gross profit	**46.1**	41.1	12	**48.1**	42.5	13
Distribution and administrative costs	**(28.0)**	(25.9)	(8)	**(25.0)**	(23.1)	(8)
Operating profit before exceptional items	**18.1**	15.1[2]	20	**23.1**	19.5	18
Exceptional items	**(15.2)**	–	–	**–**	–	–
Operating profit after exceptional items	**3.0[2]**	15.1	(80)	**23.1**	19.5	18
Finance costs and profit from joint venture	**(2.8)**	(2.3)	(22)	**(2.8)**	(2.3)	(22)
Profit before tax before exceptional items	**15.3**	12.8	19	**20.3**	17.2	18
Profit before tax after exceptional items	**0.2**	12.8	(99)	**20.3**	17.2	18
Taxation	**(2.9)**	(3.6)	19			
EPS before exceptional items	**25.95**	19.00	37%			
(LPS)/EPS after exceptional items	**(5.66)**	19.00	–			

1 Calculation based on the full number, not this number rounded to one decimal place.

2 Adjusted for rounding.

Revenue performance

HPP sales increased 37% to £79.6m (2023: £58.1m), and by 41% to £82.0m at constant currency. Footwear is the largest application within HPP, and revenue in this market grew 46% to £66.1m (2023: £45.3m), or 50% to £68.1m at constant currency, with increased underlying demand for our foams and the addition of basketball programmes accentuated by supply chain reconfiguration of our end-customer, increased demand in an Olympic year and one-off increased orders from Tier 1 suppliers resulting from a rebuild of inventory. This has resulted in this business division accounting for 45% of Group sales in the year (2023: 36%). ZOTEK® F fluoropolymer foam sales closed the year 7% up at £7.0m (2023: £6.5m), or 10% to £7.2m at constant currency, still significantly below the 2019 peak of £10.0m as the highly publicised challenges faced by Boeing have slowed the expected recovery in aviation. T-FIT® advanced insulation sales declined 1% to £5.8m (2023: £5.9m), or grew 2% to £6.0m at constant currency, with a downturn in demand in China fully offset by very strong growth in India.

Polyolefin Foams business unit sales fell 1% to £66.9m (2023: £67.6m) but rose 1% to £68.5m at constant currency. There was a 4% increase in the UK and a 3% increase in the USA (up 6% at constant currency), where the smaller but rapidly growing Zotefoams Midwest operation grew 24%. Offsetting this was a decrease in European polyolefin foams revenues of 8%, or down 5% at constant currency, with challenging market conditions particularly in German industrials. MEL sales remained flat at £1.2m (2023: £1.2m), as the Group maintained its focus during the year on the ReZorce Circular Packaging initiative.

Revenue by segment (£m)

	2024 Reported	2024 Adjusted[1]	2023 Reported	Net change %[3] Reported	Net change %[3] Adjusted
Polyolefin Foams	**66.9**	**68.5**[2]	67.6	**(1)**	**1**
UK	**11.4**	**11.4**	10.9	**4**	**4**
Europe	**28.3**	**29.1**	30.7	**(8)**	**(5)**
USA	**23.0**	**23.8**	22.5	**3**	**6**
Rest of the world	**4.2**	**4.3**	3.5	**18**	**22**
HPP	**79.6**	**82.0**	58.1	**37**	**41**
Footwear	**66.1**	**68.1**	45.3	**46**	**50**
ZOTEK® F	**7.0**	**7.2**	6.5	**7**	**10**
T-FIT®	**5.8**	**6.0**	5.9	**(1)**	**2**
Other	**0.7**	**0.7**	0.4	**61**	**65**
Group excluding MEL	**146.6**[2]	**150.5**	125.7	**17**	**20**
MEL	**1.2**	**1.2**	1.2	**(2)**	**0**
Group	**147.8**	**151.8**[2]	127.0[2]	**16**	**20**

1 Constant currency, adjusting 2024 values to 2023 rates. See exchange rates table.
2 Adjusted for rounding.
3 Calculation based on the full number, not this number rounded to one decimal place.

Revenue by market (%)

	2024	2023
Sports & Leisure	**48**	39
Product Protection	**18**	22
Building & Construction	**11**	12
Transportation*	**11**	11
Industrial	**5**	5
Medical	**4**	6
Other	**3**	5

* Within the Transportation segment, aviation represented 6.1% (2023: 6.4%) and automotive 5.3% (2023: 5.0%) of Group revenue.

GROUP CFO'S REVIEW (CONT.)

Gross profit

Gross profit increased £5.1m to £46.1m (2023: £41.1m) on £20.8m additional sales, while gross margin decreased to 31.2% (2023: 32.3%). Gross profit growth has been impacted by an additional £1.0m inventory provision following an in-depth assessment of recoverability and mostly affecting aged HPP foams, and £0.5m of amortisation charges in respect of a Global Alliance agreement signed in May 2024 with Suzhou Shincell New Materials Co., Ltd ("Shincell"). Adjusted for these, gross margin was 32.2%, in line with the previous year.

Gross profit benefited from the increased revenue generated from HPP, while HPP gross margin remained unchanged. Within HPP, the high-volume footwear business dominates gross margin, and while the small benefits of additional revenue boosted margin, this was offset by the inventory provision made across the HPP product portfolio. In the Polyolefin Foams business, a gross margin decline was driven for the most part by the US business, which was affected by lower demand at its higher-margin customers and which it offset with higher-volume lower-margin sales. It also continued to experience inefficiencies in its production processes, for which there is a clear path to cost and efficiency savings as we progress through 2025.

Distribution and administrative costs

The Group has continued to pursue its expansion strategy founded on proprietary cellular materials technology and linked to longer-term demand growth in our chosen markets. While we began to formulate a refreshed strategy during the year, driven by a new CEO, we have continued to invest in, and prioritise, technical, sales-focused and administrative resources to create, execute and manage our growth.

Included within distribution costs in the consolidated income statement are sales, marketing and warehousing expenses. These costs increased by £0.6m, or 7%, to £8.5m (2023: £7.9m) during the year as a result of salary inflation and investment in sales and marketing personnel. 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. These costs increased in 2024 by £1.5m, or 9%, to £19.5m (2023: £18.0m). However, after stripping out foreign exchange effects, which generated a gain of £0.8m (2023: loss of £0.3m), these administrative costs increased by 15%, or £2.6m, to £20.3m (2023: £17.7m). See "Currency review" below for further information and context around foreign exchange movements.

This increase of £2.6m is almost entirely related to payroll costs, both inflationary and through 2024 additions and the full-year impact of 2023 additions. It includes costs attributable to the transition to a new CEO, including a seven-month period with both the current and former CEOs employed by the business, as well as part-year costs of an expanded Executive team to support the Group's growth ambitions.

The specific business unit results and margins that we report, see "CEO review", do not include central plc costs, which are not considered to be segment specific. Neither do they include hedging movements. In 2024, central plc costs increased 50% to £4.6m (2023: £3.1m) and mainly comprise the additional CEO costs, Executive team costs reflecting a strengthening of management, and £0.5m in respect of amortisation charges of Shincell fees payable under the licence agreement, which are not allocatable to a specific business segment. This global alliance consists of agreements on technology licensing from Shincell to Zotefoams, development and market cooperation, and regional product distribution agreements, where certain products from Shincell's unique technology will be marketed alongside Zotefoams' existing and future product range. This alliance is accounted for under IFRS 16 as a right-of-use asset, being amortised over a period of ten years in line with the Group's assessment of useful life, and as a liability, being paid down over five years. Given the payment term, it has been discounted using the Group's incremental rate of borrowing.

Exceptional item MEL

On 18 December 2024, the Group announced its decision to pause investment in ReZorce and focus the Group's resources on near-term opportunities in the core supercritical foams business. It immediately began the process of winding down operations of the MEL business unit, which includes the operations related to MuCell Extrusion LLC and Zotefoams Denmark ApS.

An impairment assessment has been conducted on the fixed assets of the MEL business unit, in accordance with IAS 36 "Impairment of Assets", to determine their recoverable amount, which we determined to be £0.7m as a result of being unable to secure a strategic investing partner necessary to drive the opportunity to commercialisation.

Impairment losses of £11.6m have been recorded against intangible fixed assets, comprising the write-off of capitalised development expenditure of £9.2m and £2.4m in respect of goodwill and acquired intangible assets originally arising from the acquisition of MuCell Extrusion LLC.

A further £2.1m has been recognised in respect of tangible fixed assets, which primarily relate to plant and machinery used in the development of ReZorce technology and £0.1m has been recognised against onerous IFRS 16 right-of-use assets, representing the remaining term of lease agreements for the business unit's rented premises. Total impairment losses amount to £13.8m.

In addition to the impairment losses, a provision of £1.4m has been recognised in respect of estimated closure costs including the dismantling and disposal of tangible assets and materials, the settlement of committed but not yet incurred costs and settlements with affected employees.

Due to the nature of these items, these are considered exceptional and have been treated as such in the financial statements. Total exceptional costs of the closure of the business amount to £15.2m.

MEL is not being treated as a discontinued operation. We currently intend to maintain MuCell Extrusion LLC, which holds the ReZorce IP and taxation benefits by way of net operating losses and is expected to receive small royalty payments from contracts that remain in place with customers.

Operating profit

Operating profit before exceptional items was £18.1m, 20% above 2023 (£15.1m) and the operating margin increased to 12.3% from 11.9%. After exceptional items, operating profit was £3.0m, down 80% on 2023 and the operating margin reduced to 2.0%. Operating profit of the foams businesses alone, excluding MEL, was £23.1m, 18% above 2023 (£19.5m), and the operating margin increased to 15.7% from 15.5%.

Distribution and administrative costs breakdown

	2024	2023	Change (%)
Distribution costs	**8.5**	7.9	(7)
Administrative costs excluding hedging movements	**20.3**	17.7	(15)
Hedging movements	**(0.8)**	0.3	>100
Administrative costs	**19.5**	18.0	(9)
Distribution and administrative costs	**28.0**	25.9	(8)

Finance costs

Gross finance costs for the year increased 24% to £3.1m (2023: £2.5m) and include £0.1m (2023: £0.1m) of interest on the Defined Benefit Pension Scheme obligation. This increase comprises £0.3m IFRS 16 interest charges from the Shincell agreement and a higher average debt balance throughout the year that reflects funding of the Group's growth initiatives. Net finance costs, after finance income, increased 22% to £2.9m (2023: £2.3m).

Profit before tax

Profit before tax and exceptional items increased 19% to £15.3m (2023: £12.8m). The foams businesses increased 18% to £20.3m (2023: £17.2m), while the MEL loss increased to £4.9m (2023: £4.4m). After exceptional items, PBT decreased 99% to £0.2m.

Currency review

Exchange rates

Zotefoams transacts significantly in US dollars and euros. The exchange rates used to translate the key flows and balances were:

	2024		2023	
	Average	**Closing**	Average	Closing
Euro/ sterling	**1.177**	**1.210**	1.150	1.150
US dollar/ sterling	**1.278**	**1.252**	1.243	1.271

Movements in foreign exchange rates can have a significant impact on Group results, and while the Group seeks to mitigate this risk, as outlined in more detail below, the impact was a reduction in profits of £1.0m on a constant currency basis (2023: £0.5m reduction). During the year, the sterling average exchange rate year-on-year against the US dollar strengthened by 2.8% and the sterling average exchange rate against the euro strengthened by 2.3%. The sterling spot rate against the US dollar from 31 December 2023 to 31 December 2024 weakened by 1.5%, while the sterling spot rate against the euro strengthened by 5.2% over the same period.

Zotefoams is a predominantly UK-based exporter which invoices in local currency, with the exception of Asia where all business is invoiced in US dollars. In 2024, approximately 92% of sales (2023: approximately 92%) were denominated in currencies other than sterling, mostly US dollars or euros. Operating costs at the Croydon, UK, site are incurred in sterling, and the main raw materials for polyolefin foams used for production in the UK are euro denominated. US subsidiary production and operating costs, most other subsidiaries' staff and operating costs and some HPP raw materials are US dollar denominated, while Poland operating costs are incurred in zloty. The Group uses forward exchange contracts to hedge up to 80% of its forecast net cash flows over the following twelve months that are subject to US dollar and euro transaction risk. The Group recorded a gain on forward exchange contracts in the year of £1.0m (2023: gain £0.2m).

Zotefoams also faces translation risk. Zotefoams plc, the parent company, holds the Group's multi-currency borrowings facility and has provided intercompany loans and intercompany trading facilities to the USA and Poland to support Group expansion. This translation exposure is mitigated, where possible, through an offset with same-currency liabilities, primarily through borrowing in the relevant currency. Every month, these foreign currency-denominated intercompany net positions, despite being cash neutral, require to be translated by Zotefoams plc on a mark to market basis and the movement taken to the Company income statement. The Group also has a fast-growing HPP business, which is mostly invoiced from the UK in US dollars, which adds to its exposure to foreign currency-denominated net assets and is accounted for in the same way as above. While FX exposure is partly mitigated by the forward currency contracts, risk remains based on the amount of forecast exposure not hedged, in line with Group policy, and the fact that there is a timing difference between the recording of accounts receivable and cash received. This timing difference is managed by further hedging activities, but their effectiveness is subject to the accuracy of forecasting cash receipts. The Group recorded a translation loss in the year of £0.2m (2023: loss £0.5m).

Currency movements during the year negatively impacted Group revenue by £4.0m (2023: £0.5m positive impact). They positively impacted operating costs by £2.2m (2023: £0.7m negative impact), resulting in a net negative impact of £1.8m (2023: negative impact £0.2m) before hedging. After deducting the net hedging gain of £0.8m (2023: loss of £0.3m), the currency net negative impact on profit before tax for the year was £1.0m (2023: negative impact £0.5m).

We recognise that one of our principal risks is our exposure to foreign currency fluctuations, particularly the US dollar, which we will aim to manage through hedging strategies. Based on 2024 and with respect to transaction risk, it is estimated that for every one percentage point movement in the US dollar/sterling rate, profit moves by £0.6m unhedged and £0.2m hedged. In the year, the transaction risk from euro/ sterling movements continues to be substantially naturally hedged, with the risk arising on sales revenues offset by the opportunity on costs, primarily related to raw material purchases and certain further processing costs.

The Group does not currently hedge for the translation of its foreign subsidiaries' assets or liabilities. The foreign currency hedging policy is kept under regular review and is formally approved by the Board on an annual basis.

Profit before tax by segment (£m)

	2024 Reported	2024 Adjusted[1]	2023 Reported	Net change %[3] Reported	Net change %[3] Adjusted
Polyolefin Foams	**5.5**	**6.1**	7.5	**(27)**	**(19)**
HPP	**21.5**	**22.8**	15.4	**39**	**48**
MEL before exceptional item	**(4.9)**	**(5.1)**	(4.4)	**(13)**	**(16)**
Subtotal business units before exceptional item	**22.0[2]**	**23.9[2]**	18.5[2]	**19**	**28**
Exceptional item – MEL	**(15.2)**	**(15.2)**	–	**–**	**–**
Subtotal business units after exceptional item	**6.8**	**8.7**	18.5	**(63)**	**(53)**
Central costs	**(4.6)**	**(4.6)**	(3.1)	**(50)**	**(50)**
Hedging	**0.8**	**–**	(0.3)	**–**	**–**
Finance costs	**(2.9)**	**(2.9)**	(2.3)	**(22)**	**(25)**
Subtotal other	**(6.7)**	**(7.5)**	(5.7)	**(17)**	**(32)**
Group PBT before exceptional item	**15.3**	**16.3[2]**	12.8	**19**	**27**
Group PBT after exceptional item	**0.2[2]**	**1.1**	12.8	**(99)**	**(91)**

1 Constant currency, adjusting 2024 values to 2023 rates. See exchange rates table above.

2 After roundings.

3 Calculation based on the full number, not this number rounded to one decimal place.

GROUP CFO'S REVIEW (CONT.)

Taxation charge and earnings per share

The tax charge for the year is £2.9m (2023: £3.6m). The effective tax rate before exceptional items for the year is 19.0% (2023: 28.0%). The lower tax charge reflects the tax-deductible elements of MEL intercompany balances written off, while the underlying losses are eliminated in the consolidated income statement, and the benefits of R&D and patent box claims.

Basic earnings per share before exceptional items was 25.95p (2023: 19.00p), an increase of 37%. Diluted earnings per share was 25.24p (2023: 18.55p). Including exceptionals, basic earnings per share was a loss of 5.66p, and diluted earnings per share was a loss of 5.66p. The loss attributable to equity shareholders and weighted average number of ordinary shares for the purposes of calculating diluted earnings per ordinary share are identical to those used for basic earnings per ordinary share. This is because the exercise of share options and warrants would have the effect of reducing the loss per ordinary share and is therefore anti-dilutive.

Capital allocation

The discipline with which a company allocates capital is a key determinant of growth and sustained financial returns. The Board is actively engaged in this process. Zotefoams focuses on achievable sustainable profit growth by investing and developing its business in the following ways.

Capital expenditure in foam manufacturing

The autoclave technology manufacturing processes we operate in the UK, USA and Poland are capital intensive and certain key equipment can have long lead times. Investment decisions require planning and are made with a clear assessment of strategic fit, risk, risk appetite, sustainability credentials and expected returns. Confidence in the Group's developing portfolio of HPP opportunities is a significant consideration in determining the timing of certain investments, while the strategic importance of maintaining growth in the profitable Polyolefin Foams business, the Group's largest-volume product range, informs the decision to increase total Group capacity versus relying solely on mix-enrichment.

Supported by increased investment in innovation, see below, and partnerships such as the global alliance we signed in May 24 with Shincell, we intend to reduce capital intensity and lead times that will allow us to invest more quickly and flexibly. The first representation of this is the expansion of our geographic reach into Asia and closer collaboration with Nike and its Tier 1 partners, all of whom are located in the region.

Outside significant capacity-related investments, the Group also invests to maintain its capital-intensive assets, mindful of the risk of operational disruption (see section in this Annual Report on principal risks) and opportunities to improve energy efficiency and further reduce health and safety risk, particularly at the older UK facility. The annual and five-year capital requirements planning outcomes, as well as progress against them, are reviewed by the Board and individual projects of a certain expenditure level require Board approval beyond that given in the normal annual budget cycle.

Zotefoams targets improvements in the Group's return on capital over the investment cycle, while recognising the short-term impact on the return of sizeable capital investments during their construction and early operation phases, where they may initially run at lower utilisation and mix optimisation levels. With our switch to small modular foaming production from large, capital-intensive extruders and autoclaves in Asia, we expect a faster return on our capital outlay in this investment.

Investment in sustainable innovation

Zotefoams is an innovator in advanced technical foams and pursues a strategy to continuously develop a portfolio of products that leverages its unique technology. As part of our refreshed strategy, we intend to adopt a hub and spoke model for innovation and will invest in an Innovation Centre of Excellence (the hub), and smaller Innovation Centres (spokes) that are focused on, and embedded within specific markets. Investing more in dedicated teams, we will protect our intellectual property and build on 100+ years of supercritical fluid foam experience. We will expand our capability into foam and plastic fabrication to move along the value chain by providing solutions beyond a raw material to customers. We will evolve our current technology and invest in new technologies to reduce energy consumed in manufacture, while developing products that significantly reduce waste and emissions along the value chain and will harness AI to reduce the number of iterative development cycles and time required.

During 2025, the Group will select a location in the UK, outside of its Croydon manufacturing site, to base its Innovation hub and staff the location with qualified resource. It will form its first Innovation spoke in South Korea in order to greatly improve the collaboration and innovation time required to support Nike alongside their close Tier 1 suppliers, who are all based in the region.

Working capital

The business requires investment in working capital to achieve high levels of customer service and targeted margins. Customer payment terms reflect the competitive environment of each of the geographical and industrial markets in which the Group operates. Inventory levels reflect the value of the raw materials, the length of the supply chain and the volume of inventory required to achieve targeted customer satisfaction levels. Growing beyond the space-restricted site in the UK, as well as growing HPP at a faster rate than Polyolefin Foams, where supply chains can be longer, technical testing may be required, the customer is likely to be more strategic, and raw material purchase costs are likely to be significantly higher, is increasing the investment required in inventory. The Group's main suppliers are either large multinational polymer manufacturers or energy companies, where the ability to negotiate credit terms is limited. The Group believes there are opportunities to optimise its working capital balance and will be pursuing and tracking initiatives through 2025. The Board receives monthly financial updates, which include performance on working capital against the annual budget and the quarterly forecasts, both of which are reviewed and approved by the Board.

Non-organic growth

The Group's refreshed strategy explicitly identifies acquisitions as a new lever to complement organic growth that will help us expand market access, acquire new capability and expertise, and diversify into adjacent markets.

Return on capital employed

Zotefoams defines the return on capital employed (ROCE), which is a non-IFRS measure, as operating profit before exceptional items divided by the average sum of its equity, net debt and other non-current liabilities. This measure excludes acquired intangible assets and their amortisation costs. It also excludes significant capacity investments under construction until they enter production. We do not attempt to adjust for first phase inefficiencies.

In 2024, the Group's ROCE increased to 11.7% (2023: 10.3%), mostly reflecting improved profitability in the year as the Group increased utilisation of its assets and improved the product mix. Excluding MEL operating losses that mostly resulted from investment in ReZorce, which will not occur from 2025, ROCE increased to 16.0% (2023: 14.2%). In line with the definition, we have removed capitalised costs related to investment in our second low-pressure vessel in the USA, which we expect to commission in H2 2025 and will then add to ROCE on a time-apportioned basis.

Dividend

The Board has a progressive dividend policy, recognising the importance to our shareholders of the dividend as part of their overall return while ensuring sufficient capital and liquidity to pursue its growth ambition. Minimum earnings cover of 2 times is targeted. The Board regularly reviews this policy as the Group grows and capital expenditure demands a lower share of the cash generated.

The Directors are proposing a final dividend of 5.10p (2023: 4.90p), which would be payable on 2 June 2025 to shareholders on the Company register at the close of business on 2 May 2025. Taken with the interim dividend of 2.38p (2023: 2.28p), this would bring the total dividend for the year to 7.48p (2023: 7.18p) and would represent a dividend cover of 3.5 times (2023: 2.6 times).

Cash flow

The Group is by its nature highly cash generative and, this year, cash generated from operations has significantly increased by £18.3m (151%) to £30.4m (2023: £12.1m). Within this, there was a £2.5m net working capital inflow (2023: £11.1m net working capital outflow). Trade and other receivables decreased £1.5m (2023: increased £3.8m), reflecting continued strong cash recovery across the Group combined with the year-end timing of certain sizeable footwear customer receipts. Inventory decreased £1.9m (2023: increased £6.3m), reflecting the reversal of a Q4 2023 £2.2m strategic build of footwear and European polyolefin foams to capitalise on available capacity and in anticipation of high levels of capacity utilisation in 2024, together with focused management action on inventory levels. Trade and other payables decreased £1.0m (2023: decreased £1.0m) reflecting general payment timings. Zotefoams recognises the importance of its supplier relationships and is proud of its performance with respect to honouring agreed payment terms.

During the year, the Group paid interest on its borrowings of £2.5m (2023: £2.1m), reflecting slightly higher average debt levels across much of the year. Net taxation paid during the year, net of refunds, amounted to £2.9m (2023: £2.2m), reflecting higher profits at the Company alongside a full year of the increased corporation tax rate in the UK.

Zotefoams' property, plant and equipment capital expenditure amounted to £10.3m (2023: £5.8m). This was largely due to capacity expansion to install a second low-pressure autoclave in North America and investment in equipment required for late-stage ReZorce development trials. Expenditure was split across several categories, the most significant being 38% on capacity expansion and 15% on new product development. ESG initiatives were a key component of capital expenditure in the year with 68% of expenditure offering benefits through improved energy efficiency, safety or reduced waste. Geographically, 22% was directed to our Croydon, UK, plant (2023: 68%), 34% to our Walton, USA, plant (2023: 18%) and 33% (2023: 5%) towards the MEL business unit.

Summary cash flow

	2024	2023
Profit before tax	**0.2**	12.8
Depreciation and amortisation	**9.0**	8.2
Exceptional costs of closure of business	**15.2**	–
Other	**4.4**	3.1
Net cash from operations before provisions and investment in working capital	**28.8**	24.1
Employee defined benefit contributions	**(0.9)**	(0.9)
Working capital movement	**2.5**	(11.1)
Receivables	**1.5**	(3.8)
Inventory	**2.0**	(6.3)
Payables	**(1.0)**	(1.0)
Cash generated from operations	**30.4**	12.1
Interest paid	**(2.5)**	(2.1)
Taxation paid	**(2.9)**	(2.2)
Investments in intangible assets	**(3.3)**	(2.7)
Investments in tangible assets	**(10.3)**	(5.8)
Dividends	**(3.5)**	(3.4)
Net movement in borrowings	**(1.6)**	0.4
Lease payments	**(2.3)**	(0.8)
Other	**0.3**	0.1
Movement in cash and cash equivalents	**4.3**	(4.2)

GROUP CFO'S REVIEW (CONT.)

The Group also invested £3.3m (2023: £2.7m) in intangible assets, almost entirely related to MEL patents and capitalised development costs for ReZorce, which have subsequently been impaired.

Dividends paid in the year amounted to £3.5m (2023: £3.4m) and lease payments increased to £2.3m (2023: £0.8m), with £1.3m of these payments related to the Shincell agreement (2023: nil). Closing net debt (as defined under the bank facility definition) decreased £6.1m (20%) to £24.1m (2023: £30.2m), while on an IFRS basis, closing net debt rose to £33.0m (2023: £31.6m) as a result of IFRS 16 leases, £6.6m of which relate to the year-end Shincell liability. At the year end, the Group remains comfortably within its bank facility covenants, with a multiple of EBITDA to net finance charges of 10.8 (2024: 11.2), against a covenant minimum of 4 (2023: 4), and net debt to EBITDA (leverage) multiple of 0.9 (2023: 1.2), against a covenant of 3.5 (2024: 3.5). See "Debt facility" for a definition of leverage and information on the Group's bank facility arrangements.

Debt facility

The Group's gross finance facilities with Handelsbanken and NatWest comprise a £50.0m multi-currency revolving credit facility with a £25.0m accordion with a renewal date of March 2027 and an interest rate ratchet, and include a small element related to the achievement of sustainability targets. The facility has two covenants: a finance cost covenant with a multiple of 4.0x and a leverage covenant with a multiple of 3.5x.

At 31 December 2024, 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 £25.7m (2023: £19.4m).

Zotefoams defines EBITDA as profit for the year before tax, adjusted for depreciation and amortisation, net finance costs, the share of profit/loss from its joint venture, equity-settled share-based payments and exceptional costs.

Net debt comprises short- and long-term loans less cash and cash equivalents and is adjusted from IFRS by the impacts of IFRS 2 and IFRS 16 under the bank facility definition.

Post-employment benefits

The Company operates a UK-registered trust-based Defined Benefit Pension Scheme (the "DB Scheme"), which provides defined benefits. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Trustees are responsible for running the DB Scheme in accordance with the DB Scheme's Trust Deed and Rules, which set out their powers. The Trustees of the DB Scheme are required to act in the best interests of the beneficiaries of the DB Scheme. There is a requirement that at least one-third of the Trustees are nominated by the members of the DB Scheme. The DB Scheme was closed to new members in 2001, as was the link to future accrual of salary in 2005. Inconsistencies in the way the DB Scheme's link to future accrual of salary was closed in 2005 were rectified in 2019. There are three categories of pension scheme members:

- deferred members with salary linkage: current employees of the Company who have not consented to the break in their salary linkage
- deferred members: former and current employees of the Company not yet in receipt of pension
- pensioner members: in receipt of pension.

Group banking covenants definition

Net debt to EBITDA ratio (Leverage)

£m	2024	2023
Profit after tax	**(2.8)**	9.2
Adjusted for:		
Depreciation and amortisation	**9.0**	8.2
Finance costs	**3.1**	2.5
Finance income	**(0.3)**	(0.2)
Share of result from joint venture	**(0.1)**	–
Equity-settled share-based payments	**1.1**	1.3
Exceptional costs of closure of business	**15.2**	–
Taxation	**2.9**	3.6
Roundings	**0.1**	0.1
EBITDA	**28.2**	24.7

£m	2024	2023
Net debt per IFRS	**33.1**	31.6
IFRS 16 leases	**(9.0)**	(1.3)
Roundings	**–**	(0.1)
Net debt per bank	**24.1**	30.2
Leverage per bank	**0.9**	1.2

EBITDA to net finance charges ratio

£m	2024	2023
EBITDA, as above	**28.2**	24.7
EBITDA to net finance charges	**10.8**	11.2

£m	2024	2023
Finance costs	**3.1**	2.5
Finance income	**(0.3)**	(0.2)
Share of result from joint venture	**–**	–
Net finance charges	**2.9**[1]	2.3

1 After roundings.

The Trustees are required to carry out an actuarial valuation every three years. The last full actuarial valuation of the DB Scheme took place as at 5 April 2023. On a Statutory Funding Objective basis, a deficit was calculated for the DB Scheme of £2.9m (previous triennial valuation: £7.7m). In respect of the shortfall, the Company agreed with the Trustees to make contributions to the DB Scheme of £643,200 p.a. (previously £643,200 p.a.) to meet the shortfall by 31 July 2028 (previously 31 October 2026). In addition, the Company pays the ongoing DB Scheme expenses of £216,000 p.a. (previously £216,000 p.a.) to cover administration expenses, PPF levies and premiums for death-in-service lump sums associated with the Scheme. The Company therefore expects to pay £859,200 to the Scheme during the accounting year beginning 1 January 2025.

The defined benefit obligation is valued by projecting the best estimate of the future benefit from the outlay of monies (allowing for future salary increases for deferred members with salary linkage, revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the balance sheet date. The majority of benefits receive increases linked to inflation (subject to a cap of no more than 5% p.a.). The valuation method used is known as the Projected Unit Method. The approximate overall duration of the Scheme's defined benefit obligation as at 31 December 2024 was around 10 years. The net IAS 19 deficit on the DB Scheme decreased by £1.1m to £1.6m as at 31 December 2024 (31 December 2023: £2.7m) and represents 1.4% (2023: 2.3%) of consolidated net assets. The present value of the defined benefit obligation at the year-end decreased by £1.8m from £26.5m in 2023 to £24.7m in 2024 which was partially offset by the actual investment return achieved on the assets, which decreased by £0.6m from £23.8m in 2023 to £23.2m in 2024. Zotefoams does not consider its pension scheme to be a key risk to its ability to achieve its strategic objectives, due to the immaterial share of net assets that the deficit represents. Mitigation of further risk is expected to come from our growth expectations and the continued focus by the Trustees on a lower-risk strategy to meet the DB Scheme's deficit.

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 on pages 1 to 71 and the section entitled "Risk management and principal risks" on pages 38 to 50. These also describe the financial position of the Group, its cash flows and liquidity position. In addition, note 22 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, borrowing facilities and its exposure to credit risk and liquidity risk.

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 its available debt facilities, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next twelve months following the date of approval of the financial statements. The Directors have also continued to draw on 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 this Annual Report.

Financial risk management

The main financial risks of the Group relate to funding and liquidity, credit, interest rate fluctuations and currency exposures.

The management of these risks is documented in note 22.

G McGrath
Group CFO

7 April 2025

RISK MANAGEMENT AND PRINCIPAL RISKS
MANAGING OUR RISKS TO ACHIEVE OUR STRATEGIC OBJECTIVES

Zotefoams' risk management process is designed to improve the likelihood of achieving its strategic objectives, keep its employees safe, protect the interests of its shareholders and key stakeholders, and enhance the quality of its decision-making.

Governance of risk
The Board, in the context of our set objectives, is responsible for the risk management framework and for managing the Group's key strategic and emerging risks. It delegates to the Audit Committee the review of the effectiveness of risk management, the system of internal control, the monitoring of the quality of financial statements and consideration of any findings reported by the External Auditor in relation to the Group's control environment and its financial reporting procedures as part of its annual audit. The Group Executive Team (GET) supports the Board in its responsibilities, manages the risk framework on a day-to-day basis and considers any emerging risks that may not be covered under the existing framework. Comprising the majority of the GET, the Internal Control Committee meets bi-annually to validate the effective functioning of the framework, assess any need for change and consider the more detailed outputs of the functional steering committees. The functional steering committees, comprising GET members as well as functional experts, identify and address the specific and emerging risk areas within their area of focus.

The Board confirms that it has completed a robust assessment of the Company's and Group's principal and emerging risks and uncertainties. The procedures, and how these risks and uncertainties are being managed, are laid out below.

Risk appetite
Zotefoams is a business with good opportunities for growth. Reflecting the uniqueness of our technology, its capital intensity and the importance of matching capacity with our demand expectations, we plan for the future over five years and convert these plans into financial forecasts. To achieve more ambitious targets, we understand we must be willing to accept higher levels of risk. We seek an appropriately balanced outcome, where we consider the level of reward commensurate with the likelihood of success. We recognise the importance of taking these risks within clear boundaries as recommended by the GET and approved by the Board. We challenge, reassess and reaffirm these boundaries regularly and, for key decisions, on a case-by-case basis. As a manufacturing company, the health and safety of our employees will always be paramount, which translates into an extremely low tolerance for risk in this area.

Developments during the year
Changing investment priorities
The Group announced on 18 December 2024 that it was ceasing to invest in ReZorce® Circular Packaging, a multi-award winning fully recyclable mono-material barrier packaging solution with clear sustainability benefits, having been unable to identify a partner prepared to take the technology forward despite significant interest from global food and beverage and packaging businesses. Given the capital investment, complex market access and expertise required to achieve high volume production of finished packaging, the Board has consistently believed, and communicated to shareholders, that a strategic partner was necessary to realise the commercial potential of the ReZorce technology. In 2024, the opportunity consumed significant resources and the business has determined that, going forward, it should focus the Group's resources on the opportunities in the core supercritical fluid foams businesses. The intellectual property and know-how associated with ReZorce is well protected and will be retained by the Group in order to preserve its ability to realise the value of this unique technology, should market conditions become more favourable. The impact of this decision is an impairment of the MEL business unit which, together with closing costs, has been recognised as an exceptional item amounting to £15.2m in the P&L.

Creating a new growth curve in Footwear
The Footwear business grew 46% this year, and sales represent 45% (2023: 36%) of Group sales. The relationship with Nike is strong, with a dedicated Zotefoams team engaged in frequent discussions around current operations and future opportunities. As competition increases in the footwear market, which is predominantly based in Asia, the importance of accelerating technical advancement and reducing cost has become more acute, and Zotefoams recognises that securing and growing sales in Footwear will only be possible by establishing production in Asia and working more closely with its partners on research and development. Engagement and discussion during the year with Nike has resulted in a decision in February 2025 to invest, as a first stage, £24m in a manufacturing facility in Vietnam, a key production centre for the footwear industry, with the expectation to be operational late 2026/early 2027.

Alongside this, Zotefoams will also invest in an Innovation Centre in South Korea, where Nike has its footwear innovation centre, to work more closely with Nike and its closest partners on new product developments. The Group has an exclusivity agreement with Nike to 31 December 2029, demonstrating the commitment by both parties to further develop footwear technology and the partnership's success.

Accelerating innovation
The Group entered into a global alliance agreement in May 2024 with Suzhou Shincell New Materials Co, Ltd ("Shincell") of Suzhou, China. This alliance helps extend Zotefoams' technical capability and gives us access to a wider range of products for both new and existing markets, while enhancing the Group's technology platform for new products to deliver growth. Cooperation has already helped the Group identify a more cost-effective and faster solution to producing in Asia, and it is expected that further opportunities will come from high-tech applications.

New leadership
Ronan Cox was appointed as Group CEO at the Annual General Meeting held on 22 May 2024 following a competitive process led by a leading, global recruitment company. A thorough onboarding programme has allowed for a smooth transition.

The GET was restructured during H2 2024 and new roles created, with two new members joining in November 2024 and one in January 2025. A thorough onboarding programme has helped allow these executives to familiarise themselves quickly with the organisation and be in a position to drive forward the Group's ambitious objectives.

A refreshed version of our corporate vision, mission and values was launched internally during the year, supported by a thorough roll-out programme. Alongside the Group's purpose of providing optimal material solutions for the benefit of society, they are expected to guide the Group to success. More information on these is provided in our Social section on pages 63 to 71.

Continued accreditation

The Croydon, UK, and Brzeg, Poland, manufacturing plants retained accreditation to the Occupational Health and Safety Management System ISO 45001 during the year. This reflects significant focus and effort from a dedicated Health and Safety team at both sites, underpinned by high levels of Executive team engagement and a continuous focus by employees on risk identification and mitigation.

Both plants also retained accreditation to the Environmental Management System ISO 14001 during the year.

The Quality Management System accreditation ISO 9001 was recertified across the Croydon, UK, Walton, USA, and Brzeg, Poland, sites.

Effective governance

The GET, via the Internal Controls Committee, met twice during the year specifically to review and update the Group's principal risks and uncertainties, which included ensuring that any emerging risks were being effectively captured in a timely manner. In November 2024, Zotefoams engaged Grant Thornton UK LLP, our Internal Auditor, to review our risk management framework. Board, Executive members and Risk Committee leaders were interviewed during the process, and the results were presented to the Board in January 2025. Key findings, that have been accepted by the Board and will be implemented during 2025, were the recognition of a strong risk management framework but opportunities to make it less resource-intensive, increase attention to opportunities and increase the linkage of risk to appetite.

Zotefoams has made further good progress on the formal and effective documentation of controls and the testing thereof and we expect to be fully compliant with Provision 29 of the new Corporate Code when it comes into force for financial periods starting 1 January 2026. During the year, documentation of the control environment was carried out for Zotefoams' T-FIT China subsidiary and commenced for Zotefoams Inc, USA, with the expectation of the latter being completed in early Q2 2025. Control testing was conducted for the largest of the Group's entities, Zotefoams plc and Zotefoams Inc, together with the T-FIT China operations. The controls walkthrough process has begun at Zotefoams SP z.o.o., Poland, and work will continue through 2025. As a result of our controls testing, we continue to make changes to processes that enhance controls and increase efficiency while maintaining an effective internal control system.

The Group continues to use an external adviser to perform its financial internal audit services. During the year, based on the Group's internal risk assessments and an agreed three-year audit plan that requires two audit engagements per year, our Internal Auditor, Grant Thornton, completed a full controls review of our China business and a full controls review of our US business, with outcomes and improvement plans presented to the Audit Committee.

The Board reviewed the Group's key policies, including anti-bribery and corruption, competition, ethics, whistleblowing and share dealing, to make sure they remain relevant and are operating effectively.

Zotefoams prepares an annual strategic plan over a five-year period. The Board and GET risk-assessed this plan during the two-day annual strategic review in October.

Cyber security

Cyber security remains a critical part of our IT strategy and is embedded in our day-to-day operations. In March 2024, the Group achieved ISO 27001:2022 accreditation across its UK, US and Polish operations. This information security standard provides a robust framework for establishing, implementing and managing an Information Security Management System, demonstrating our commitment to maintaining the highest information security standards and ensuring the confidentiality, integrity and availability of our data and systems. In addition, we were re-awarded the Cyber Essentials Plus certification in 2024. This certification involves an in-depth and thorough independent assessment of our IT systems, further validating our cyber security measures. Zotefoams also continued with its cyber security awareness testing programme for managers and staff across the Group, including the Board. This programme includes monthly phishing tests emailed to each staff member, using the highest difficulty setting. There was no instance of a cyber security breach in 2024.

Sustainability targets

Board-approved sustainability targets, which include commitments made as part of our 2022 refinancing agreement with Handelsbanken and NatWest, were monitored throughout the year. These include targets around waste reduction, energy consumption and new product development. Progress was made and is reported on page 60 in the ESG report.

Global events

The ongoing conflicts in Ukraine and Gaza have had little direct impact on the Group, as supply chains have adjusted, and the only impacts experienced during the year have been slightly increased shipping times and costs of our footwear products into Asia from the UK production facility.

Tariffs

A developing risk, post year end but prior to the signing of this Annual Report, is the US administration's declaration of global tariffs. While the situation is fluid, the Group believes it is well positioned to mitigate the effects of global protection measures, although it would be impacted by a global downturn. See 'External' on pages 49 and 50.

RISK MANAGEMENT AND PRINCIPAL RISKS (CONT.)

Risk management framework

Board

Ensures that risk is managed across the business

Defines the Group's appetite for risk

Assesses the Group's principal risks and opportunities

Group Executive Team

- Inputs into the Board's process for setting risk appetite
- Implements strategy in line with the Group's risk appetite
- Manages opportunities and the resulting risks
- Maintains a watching eye over emerging risks
- Leads operational management's approach to risk
- Inputs its assessment of risk and opportunities into the Internal Controls Committee
- Ensures satisfactory resolution of actions identified at the Internal Controls Committee
- Is directly responsible for managing certain specific, high-level risks

Audit Committee

- Monitors and reviews the effectiveness of the Group's risk management framework
- Considers reports from the Internal Auditor and the External Auditor in relation to risk and control

Internal Controls Committee

- Reviews and assesses the effective functioning of, and proposed amendments to, the Group's risk management framework
- Reviews the outputs and the effectiveness of all functional steering committees and takes action where outputs do not achieve the desired effect
- Reviews and approves the Zotefoams business continuity plan
- Reviews the context within which Zotefoams operates and the effect of risks and opportunities on management systems and strategic direction
- Assesses and ensures mitigating actions identified at functional steering committees are planned, implemented and effective
- Reviews, updates and submits the Group's principal risks and uncertainties to the Board

Functional Steering Committees

- Chaired by, and including, Group Executive Team members
- Provide a regular forum for active monitoring of key emerging and more established business risks as they relate to the achievement of the Group's strategic objectives, the controls and activities in place to mitigate them, the key actions required and their timings
- Report bi-annually to the Internal Controls Committee on adherence to their Terms of Reference specific to risk and raise any failures in the effectiveness of existing processes

Steering committees are in place for:

With plc responsibility
- Health and Safety (with a sub-committee on Fire Protection)
- Environment
- Group Sustainability
- IT (with a sub-committee on Artificial Intelligence, introduced in 2023)
- Quality
- Product Development
- Marketing Communications
- Planning and Capacity
- Capital Planning
- Foreign Exchange
- HR and Training
- T-FIT business unit
- Key Supplier Review
- Contract Control
- Credit Management
- Maintenance

With local responsibility
- Zotefoams Inc Executive, plus functional sub-committees
- MEL Executive, plus functional sub-committees
- Zotefoams Poland Executive, plus functional sub-committees

* Covers all entities other than those identified under local responsibility

Operational management

- Members of functional steering committees
- Creates an environment where risk management is embraced and the responsibility for risk management is accepted by all employees
- Implements and maintains risk management processes

Employees

- Active in the day-to-day understanding and management of risk

Audit processes

- External financial audit: the Group's External Auditor, PKF Littlejohn LLP, performs the annual statutory audit which includes a report to the Audit Committee on significant findings
- Internal financial audit: the Group engages the services of a third-party provider of internal audit services, Grant Thornton UK LLP, and follows a risk-based annual audit plan as approved by the Audit Committee
- Non-financial audit: the Group's main manufacturing sites hold accreditations to various international standards for health and safety, environment and quality. To maintain these accreditations, we engage reputable third parties to verify ongoing compliance. Additionally, internal audits are conducted globally by third-party providers of internal audit services and our own quality professionals

Principal risks and uncertainties

The details of our principal and emerging risks and uncertainties and the key mitigating activities can be found on pages 42 to 50. We are disclosing those risks and uncertainties that we believe have the greatest impact on the achievement of our strategic objectives. The Group is exposed to a wide range of risks in addition to those listed, and these are managed through the risk management framework shown on page 40. This framework enables us to monitor for any increase in likelihood or impact and ensure that we have the appropriate mitigations in place.

Zotefoams' risk profile will evolve as the business grows at its targeted pace, although we expect these principal risks and uncertainties to remain broadly the same.

We face a number of uncertainties where an emerging risk may potentially impact us in the longer term. In some cases, there may be insufficient information to understand the likelihood or impact of the risk. We also might not be able to fully define a mitigation plan until we have a better understanding of the threat. We continue to identify new emerging risk trends, using the inputs from all components of our risk management framework. These are normally identified and assessed within the functional steering committees and reviewed by the Internal Controls Committee in the course of its normal Terms of Reference. If they are identified at a higher level, they are pushed down into the relevant functional steering committee for tracking, assessment and consideration of treatment, or retained at a higher level within the risk management framework.

Our principal risks and uncertainties are:

- **Operational disruption**
- **Environmental sustainability and climate change**
- **Global capacity management**
- **Technology displacement**
- **Scaling-up international operations**
- **Customer concentration**
- **External**

Having assessed the outcome of the risk management framework, which the Board considers to have run effectively throughout the year, we have concluded that there are no further changes to our assessment and that emerging risks fall within the risk groupings already identified.

Key to links to the strategy

1. **Deliver an improved mix of products**
2. **Run at high capacity utilisation**
3. **Increase our operating margins**
4. **Improve our return on capital (over our investment cycle)**
5. **Clarify and improve the Group approach to sustainability and climate change**

We have removed the risk related to MuCell technology from our strategy, which was number 6 in the key links to the strategy in our Annual Report 2023 and read: "develop and invest in MuCell® technology to deliver potentially high-value disruptive, sustainable technology while remaining within the Group risk appetite." The Group decided in December 2024 to pause investment in ReZorce technology, close down the MuCell facilities and impair the investment.

RISK MANAGEMENT AND PRINCIPAL RISKS (CONT.)

Strategy Risk trend

Operational disruption

1 2 3 4

Description and context

What is the risk?
The performance of our business will be impacted if we are unable to run our equipment and manufacture and distribute products at rates at least equivalent to those currently achieved unless able to remove the equivalent amount of cost. The potential impacts of operational disruption are: i) sizeable financial consequences related to missed sales and the high operational gearing nature of the business; ii) the commercial and longer-term consequences of not delivering to strategic customers dependent on our products; and iii) the reputational damage that might impact the business as well as future chances to acquire new business.

Material influencing factors
The Croydon, UK, site manufactures the majority of Zotefoams' polyolefin foams and, given their complexity, almost all of its high-performance products. It operates at high utilisation rates. A major incident specific to safety, health and the environment, including a fire, high absenteeism resulting from a pandemic or a significant operational disruption from the failure of either critical equipment or the IT systems that drive them, could shut down the plant for a period of time.

We do what others do not, making us unique and providing significant opportunities. However, this uniqueness also means that certain of our engineering components and raw materials are sourced from single suppliers. Disruption to those supplies, either on a temporary or more permanent basis, could affect production and supply to the Group's customers, with the knock-on impact, in certain defined circumstances, of contractual commercial consequences resulting in possible customer claims.

The Group production processes are energy intensive. Current regional conflicts have demonstrated their impact on energy availability and pricing, which would above all impact our UK and Poland foam manufacturing facilities. Failure to resolve a reduction in energy supply in the markets where we manufacture foam could impact the ability of these sites to operate. The risk to the USA facility is considered low.

Mitigating actions

Safety, health and environment policies
We have extensive safety, health and environment policies and procedures in place which are in line with best practice. The reporting of incidents, including "near misses" and damage to plant or equipment not resulting in personal injury, is mandatory to track issues and to prevent recurrences. Regular internal and external audits are performed, with high levels of GET engagement, and quarterly reports are submitted to, and discussed by, the Board.

International trade
We have increased our capability around logistics and import/export compliance, through people, skills and focus, because of the increased complexity in trading internationally post Brexit, where input and output trade can be blocked at ports and penalties can be imposed for incorrect paperwork. We are accredited to the Authorised Economic Operator status, which is an internationally recognised quality mark that certifies that a business's role in the international supply chain is secure and has customs control procedures that meet Authorised Economic Operator standards and criteria.

Insurance
The Group ensures that it has updated and sufficient insurance in place to cover capital restatement and loss of profits in the event of operational disruption caused by unforeseen events. We also work closely with our insurance advisers and their experts to ensure that operations maintain the highest level of fire protection measures.

Maintenance and replacement strategy
We ensure that our assets are well looked after through a well-resourced maintenance team, a globally recognised asset management system and proactive maintenance investment, including annual shutdowns. Our pressure equipment is operated under prevailing regulations and is subject to systematic internal and frequent external inspections. Appropriate contingency plans are in place in the event of the failure of certain major pieces of equipment, which include maintenance and support plans with key suppliers and well-resourced functions that manage stores inventory. We also have a well-resourced, highly experienced engineering team that collaborates closely with the maintenance team and, together, plan and implement equipment replacements and upgrades that target full elimination of operational disruption. The more experienced and larger UK-based teams have increased their collaboration with their US counterparts to tackle inefficiencies and reduce the risk of operational disruption in the USA.

Seeking dual sources
Wherever possible, supplies and services are sourced from more than one supplier or location. However, this is not always possible due to the special nature of the raw materials, particularly those used to manufacture high-performance products, and the machinery used. We continually monitor suppliers and search for new ones. We have identified new component suppliers in the USA as a result of our investment activities at our Kentucky, USA plant and invested dedicated resources in the search for, and testing and approval of, alternative suppliers of critical materials and services. We also endeavour to have sufficient levels of safety stock to mitigate short-term supply issues, which is now further supported by our Poland plant, close to key European customers.

Strategy | Risk trend

Operational disruption (cont.)

1 2 3 4

Investing in IT and IT security

We continue to invest in our IT systems and department. We operate the latest version of the Microsoft Dynamics AX ERP system across all our businesses and put through all recommended fixes without exception. We have multiple redundancy points limiting failure of any one piece of hardware or operating system, we are increasingly moving towards a cloud-based system, and we have up-to-date policies and procedures and comprehensive documentation on all our critical assets and core configurations. We are accredited to security standard ISO 27001:2022 and certified to Cyber Essentials Plus. We also train our employees on a regular basis to spot potential cyber-attacks through communication and online training.

Energy

Despite the ongoing conflict in Ukraine, coordinated global government actions have reduced dependency on Russia and seen a stabilising in energy costs. While energy costs remain at a higher level than before the conflict, this does not pose a material risk to the continuity of operations at Zotefoams as the Group can consume these costs and can pass them on to customers. In line with the Group's ESG strategy and documented targets, actions are also ongoing to reduce energy consumption, although we recognise that demand for certain types of energy during the transition to a low-carbon economy may adversely impact costs. Supply shortages in the UK and Poland would have a greater effect on the Group than any increase in cost. The Group assesses this risk as very low.

Operations outside the UK

Zotefoams has invested significantly in recent years in its manufacturing capability outside the UK. The Kentucky, USA site now operates all three manufacturing stages, like in the UK, and is currently investing in a second low-pressure vessel to enhance expansion capability and provide security over the existing ageing asset. The US manufacturing capability provides polyolefin foam capacity, in the first instance, but could provide capacity for HPP foams if needed. We also operate a third foam manufacturing location in Poland, commissioned in 2021, which expands, stores and distributes polyolefin foams to European customers previously shipped from the UK, improving customer service. This plant receives semi-finished products from the UK or USA, which have the first and second stage manufacturing processes. In 2024, we also began expanding Footwear products and distributing them to Asia, using semi-finished goods from the UK. These increased options reduce dependency on the UK facility.

Finally, the Board has agreed to invest in production capability in Vietnam to support and grow our successful footwear operation, which will further derisk our reliance on UK manufacturing. We expect to be producing and supplying Asia-based products in late 2026/early 2027.

Another pandemic in the workplace

We now have the experience required to understand the impacts of a pandemic and are ready to reintroduce measures at short notice should circumstances ever dictate.

Steering Committees

- Board
- Group Executive Team
- Planning and Capacity Committee
- Health and Safety Steering Committee
- Environmental Steering Committee
- Key Supplier Review Steering Committee
- Contract Control Steering Committee
- IT Steering Committee
- Maintenance Steering Committee
- Zotefoams Inc Executive Committee
- Zotefoams Poland Executive Committee

RISK MANAGEMENT AND PRINCIPAL RISKS (CONT.)

Strategy | Risk trend

Environmental sustainability and climate change

1 2 3 4 5

Description and context

What is the risk?
Zotefoams' business model, strategy, investments or operations could be assessed by stakeholders as having an unacceptable future impact on the natural environment and on national and international targets to tackle climate change, with consequences including financial penalties, an inability to hire the right staff, shareholders unwilling to invest, and not having products customers want to buy, all of which challenges business viability.

Material influencing factors
Transitional risks exist relating to developments in political and regulatory requirements that affect the products that Zotefoams manufactures. As businesses progress towards a net zero greenhouse gas target by 2050, there is potential for abrupt government intervention aimed at ensuring that certain milestones are met. This intervention may involve legal and regulatory changes, including loss of financial incentives, new taxation, compliance costs relating to plastic products or enhanced reporting expenditure, with a resulting financial impact. A fuller analysis is included in the TCFD section. Our TCFD disclosures may be found on our website: https://zote.info/3mjufjS

Growing global concerns exist over the waste generated from the over-consumption, misuse and over-packaging of consumer goods and there is a progressive tightening of restrictions on substances that are, or may be, hazardous to the environment, such as perfluoroalkyl and polyfluoroalkyl substances (PFAS).

There is negative consumer perception of plastics, despite our belief that plastic can be the optimal material solution for the benefit of society when used for certain applications.

Mitigating actions

Firm environmental footing
We consider Zotefoams to be well positioned environmentally. Our core materials offer improved product performance using less material than competitors. While there is understandable consumer concern at the environmental impact of single-use plastic, used predominantly in consumer packaging, products using our foams are primarily integral components in larger systems or are used in the long-term protection and storage of items. They are rarely used in consumer disposable items. Our foams save weight and fuel in cars, trains and aircraft, save energy by insulating and provide protection to people and goods. Our products help our customers reduce emissions, lower energy usage, improve fuel efficiency and comply with increasingly stringent safety regulations. In the medium term, we anticipate our technology being used to meet the growing demand for improved sustainability, with foams which include recycled or renewable content polymers.

Zotefoams supports measures to restrict substances that cause environmental harm, but we believe that polymeric PFAS have vastly different toxicological and eco-toxicological profiles which should not be captured by these restrictions and believe that end-of life waste can be effectively managed. Zotefoams continues to sell a small range of polymeric PFAS products, given their overall positive impact on the environment. However, we do recognise the threat of future restrictions and have begun work on alternatives, although to date we have not found any that offer the same level of performance as polymeric PVDF across the range of applications where its attributes are considered valuable. A current absence of alternative polymers, and minimal view of the work in the industry on making alternatives, means there is not a clear path or timeline to replacement at this point.

We recognise the importance of reducing energy emissions in our production processes and pursue continuous improvement in our operations, supported by investment in capital additions or replacements which further this aim. This will be supported by effective reporting on our environmental, social and governance (ESG) performance, see next column.

Environmental sustainability-focused developments
We have established sustainability targets focused on the reduction of our Scope 1 and 2 carbon emissions and report on them annually. In parallel with these specific Scope 1 and 2 targets, we use carbon-accounting to preferentially select the markets in which we target growth and to guide selection of appropriate products by our customers. We continually add products to our portfolio which have been developed to be more sustainable.

We have set long-term and interim targets for the design and development of products which are use-phase efficient with further product development of foams made from bio- and recycled polymers. For further information, refer to "Key targets" in the environmental, social and governance (ESG) report on pages 56 to 71.

Effective reporting on ESG performance
With an environmentally conscious technology and material solutions focused on applications that are not single-use, Zotefoams is uniquely positioned to help reduce customers' carbon footprints or increase material efficiency. Having recognised the need to provide stakeholders with financially material, decision-useful information relating to our ESG performance, we have adopted the Sustainability Accounting Standards Board (SASB) framework and are reporting against it in 2024, see page 62. Zotefoams also provides disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Our SASB and TCFD disclosures may be found on our website: https://zote.info/3mjufjS. The Group's bank facilities also include sustainability targets, details of which are provided on page 60.

Steering Committees

- Board
- Group Executive Team
- Group Sustainability Steering Committee
- Environmental Steering Committee
- Key Supplier Review Steering Committee
- Zotefoams Inc Executive Committee
- MEL Executive Committee
- IT Steering Committee

Strategy Risk trend

Global capacity management

1 2 3 4 5

Description and context

What is the risk?
As we grow our business at the rate we target, it is important that we create the required capacity in the right geographies to match anticipated demand. Failure to execute well and in a timely manner will impact both opportunity creation and the speed of growth. We face material risks due to the uncertainty of medium- to long-term demand, the high capital costs and long construction periods of our technology, the successful execution of our investment projects, the risk of loss of an important customer and the ability to finance these investments.

Material influencing factors
Zotefoams' organic growth is founded on its unique offering, its relevance to the global megatrends of environment, regulation and demographics, listed on pages 6 and 7, and its ability to create new markets and new applications. The nature of demand differs between the markets we serve and across the products we use to serve those markets. Polyolefin foam sales are very diversified and more aligned with GDP, but are boosted by the benefit of the environment, regulation and demographic megatrends. HPP sales are less influenced by general macroeconomic drivers and more aligned with specific, often larger, opportunities with the end-user, who also has a more direct involvement in the growth trajectory. This can make the timing of growth difficult to predict, but not having the right capacity available at the right time may mean the opportunity cannot be realised. While the improved margins associated with our high-performance products mean we will prioritise capacity in this area, we also plan to continue our investment in capacity for polyolefin foams to support growth in target markets with a clear runway for growth for these products.

Our unique technology is capital intensive with long lead times, although we are now developing more modular technology solutions and using insights gathered from our alliance with Shincell. The UK site is highly developed, with space limitations restricting further investment, meaning the next growth initiatives have been in other sites and geographies, most recently the USA and Poland and now the planned investment in Vietnam. New sites, irrespective of technology, require accurate risk assessment and time to implement.

The Group needs to have sufficient cash or be able to draw on loan facilities or access capital markets to finance capacity expansion. Funds for investment are required for a period of time before the assets start generating cash, which can increase debt levels and leverage ratios.

Mitigating actions

Investment in Asia
The Group has announced its intention to build capacity in Vietnam to service its Footwear business, which is predominantly based out of the region. This will position us close to our customer and the footwear market, reduce cost and significantly simplify the supply chain, providing medium-term opportunity from increased growth in this important market for Zotefoams. It is expected that both the UK and Vietnam will service footwear demand, which will relieve the current high levels of performance required of the UK that allow little room for unforeseen events.

Building on our experiences in the USA, UK and Poland
The experiences gained through our recent investments in the UK, US and Polish sites, and our knowledge acquired from the purchase of expertise in mixed gas foaming technology from Shincell, have provided a significant increase in know-how, spread across more personnel, which reduces uncertainty around the execution of future investments. We have identified new suppliers of critical equipment in the USA and mainland Europe, which were previously single-sourced in the UK, and new suppliers of equipment in China to meet future capacity requirements in Asia. In-house project management expertise has been developed or enhanced through either new hires or existing staff being given the opportunity to grow. We have engaged and developed relationships with experienced consultants to lead and/or work alongside us.

Effective planning
Our monthly sales and operations planning process generates high levels of cross-functional engagement to ensure collaboration and consistency in planning sales and production over the following 24 months. We also meet quarterly as a Planning and Capacity Steering Committee, which includes most of the GET, to identify risks and opportunities related to capacity management. Annually, our five-year strategic plan, which includes capacity considerations to meet projected sales growth, is rigorously tested by the Board. The last annual review meeting took place in October 2024.

Pursuing a mix-enrichment strategy
We generate returns for shareholders through the most profitable use of our assets and a customer focus that generates highly valued engineered solutions to their demanding requirements. Since our capacity investments in the UK, the USA and Poland, we have striven to recover and improve our return on capital employed through a strategy of filling our assets and mix-enrichment. When enriching our mix, we seek not only to grow sales of our HPP products at a faster rate than our Polyolefin Foam products, but also seek to improve the profitability mix in all the markets in which we operate. We do this by considering sales opportunities by profitability per hour of our most capacity-restraining capital, which is our high-pressure autoclaves. In doing so, we are able to manage capacity in the short to medium term and grow margins, while providing more time to consider the effectiveness of capital investment.

Strong cash generation to support investment
Zotefoams is a highly cash generative business. We have paused our cash-consuming investment in ReZorce circular packaging with effect from the beginning of 2025 and have sufficient funding to support the organic growth ambitions as set out in our five-year plan and externally shared strategy. Subject to size, inorganic growth opportunities may require alternative funding solutions. Our current banking facility expires in March 2027, but we will be engaging in a refinancing process in early 2026 to meet going concern requirements when we prepare the 2025 Annual Report. As we go forward, we will consider further opportunities as they arise and consider options such as the £25m accordion we have within our current banking facility or an equity raise, the latter being an option we successfully drew upon in 2018. As we embark on a refreshed strategy with both organic and inorganic growth options, we begin with a strong balance sheet and leverage at 0.9x.

Steering Committees

Board
Group Executive Team
Planning and Capacity Steering Committee
Group Sustainability Steering Committee
Capital Planning Steering Committee
Zotefoams Inc Executive Committee

RISK MANAGEMENT AND PRINCIPAL RISKS (CONT.)

Strategy | Risk trend

Technology displacement

1 2 3 4 5 ↑

Description and context

What is the risk?
The loss of our technological advantage could increase competition and affect growth rates and margins. Our unique foam manufacturing process could be matched or bettered.

Material influencing factors
Our processes for the manufacture of our products are unique to the Group. While the principles behind the processes are not confidential, the precise know-how is. Our autoclave technology is flexible, allowing us to manufacture foams from a range of polymers. For a product with substantial growth opportunities, or a product with a large consolidated market, a competitor could target an alternative, more economic, process.

Our competitive advantage in Footwear relies on the unique formulation of our materials, which are primarily used in midsoles for running shoes. Sports brands operating in this market are continuously on the lookout for new technologies that provide a performance and/or a cost advantage. The competitive landscape is changing rapidly, with China-based start-ups actively using supercritical fluid foaming to pursue market opportunities, and the main manufacturing market for footwear has shifted beyond China to include Vietnam and Indonesia.

The rapidly growing use of Artificial Intelligence (AI) could accelerate the speed with which a potential competitor acquires the knowledge to develop alternative product solutions. Also, a Zotefoams employee might use AI to find a solution using highly sensitive internal information which, without the necessary safeguards, finds its way into the public domain.

Mitigating actions

Reinforcing high barriers to entry
There are high barriers to entry for the manufacturing of our unique foams. Significant capital investment, know-how and time are required to invest in autoclaves and related infrastructure. High-performance products, which generate higher returns, greater publicity and are more likely to be the focus of a competitor's attention, are significantly more complex to manufacture than our polyolefin foams, and certain materials require years to be qualified for supply.

We will reduce technology displacement risk by entering new markets where we have the right to win and a clear runway for growth, which may be coupled with significant barriers and cost of market entry for competitors. For example, the development of high-tech products, where the product offerings are unique and protected by patents and/or process know-how and capability, opens up new markets for the Group with potentially significant and lasting differential advantages.

Technology innovation
An increased internal focus, coupled with collaboration with partners to understand, learn from and apply learnings to what we currently do, is helping us identify ways to invest in future capacity at lower cost and with lower lead times. This is exemplified by the Group's global alliance agreement in May 2024 with Shincell, China, which has reduced by a number of years the internal research and development work required to advance our existing technology and allow for a more cost-effective and faster solution to footwear product manufacture in Asia and which will also allow capacity growth in smaller increments.

Investing in R&D capability and people
As part of our refreshed strategy, we will be increasing our focus on innovation, as explained on pages 14 to 17. Investment in 2025 will encapsulate an Innovation hub in the UK, to develop future products across the entire range of markets that the Group has identified offer the best paths for growth, and a smaller Innovation hub in South Korea, close to our customer Nike, to accelerate footwear development and keep us ahead of the competition.

We invest in people to broaden our technical capability, and we research new ways to leverage our technology and accelerate the opportunities that make Zotefoams unique. We invest in people to ensure that know-how related to both the design and efficient use of high-pressure autoclave systems and polymer processing is retained by the business. We run a Graduate Scheme to attract high-potential individuals in the fields of material science and engineering. We dedicate financial resources to testing materials and solutions to remain at the forefront of supercritical fluid foaming technology.

Protecting our intellectual property
We actively maintain our intellectual property and patent our technology, wherever we believe it is appropriate to do so, and guard our know-how to sustain protection when technology is not subject to patent or patents are no longer applicable. This know-how spans multiple disciplines across our business, making it difficult to poach. We protect our know-how using confidentiality and contractual agreements with employees, suppliers and customers and by maintaining cyber security. The Group keeps a watching brief on competitor activity and maintains close contact with its customers and end-users of its products to understand market activity.

The use of AI and improvements in its capabilities are growing at an exponential rate. Zotefoams needs to harness the opportunity it affords to accelerate development and remain ahead of the competition while mitigating the risks that come from unintended sharing of trade secrets. The Group has formed an AI Steering Committee specifically focused on managing both the opportunities and the threats and our first AI project is focused on harnessing the power of 104 years of experience in supercritical fluid foaming technology.

Steering Committees

Board
Group Executive Team
Product Development Steering Committee
AI Steering Committee
Zotefoams Inc Executive Committee
MEL Executive Committee

Strategy | Risk trend

Scaling-up international operations

1 2 3 4 ↑

Description and context

What is the risk?
Growing the business geographically, being more reliant outside the UK for Group performance, and engaging with legal environments and cultures less familiar to us increases the risk of not delivering on our growth opportunities or suffering a compliance incident. We must ensure that we hire the right people and manage the span of control challenges, finding the right balance between local and Group-wide expertise, and drive a culture of knowledge share.

Material influencing factors
Our business is growing in Asia, with operations and staff in China and India, and our third foam manufacturing facility is in Poland. We will be embarking in 2025 on an investment in Vietnam, which will include manufacturing facilities and a sizeable number of employees.

Until recently, most of Zotefoams' revenue was shipped from the UK. Following our investments in the USA, Europe and Asia, the Group now employs more people, holds more assets and generates a higher proportion of revenues outside the UK.

We are hiring people outside the UK at a faster rate, have less direct contact with them from the UK base, and have high expectations of material contributions from our overseas subsidiaries to the Group's growth strategy.

We work with more distributors in our more remote locations.

Failure to ensure responsible corporate behaviour in these newer areas of operation will undermine our reputation in these new regions, could bring substantial financial penalties and affect our growth path. Failure to provide these distant operations with effective financial and IT systems, educate them effectively on all aspects of Zotefoams' culture and ethics, and align them on our strategic objectives could impact business performance.

Critical to any group's success is its people. The failure to attract, develop or retain the right calibre of staff will impact our ability to deliver. Getting this right from a distance, in cultures less familiar to us, can be challenging.

Until today, our core engineering and technical capability has been UK based, and our business model has been to use this centre of excellence to support overseas locations, but in future we are planning to develop more technical expertise at overseas manufacturing and innovation facilities. The ability to deliver on this depends on the free movement of people and openness of teams to seek and share knowledge.

The Board and GET have continued to review the Group's corporate culture, its communication and the embedding of controls across the organisation.

Mitigating actions

Direct engagement with overseas employees
Management is in regular contact with overseas locations, through physical visits to the local facilities, joint commercial visits, visits by our employees to the UK, and the use of virtual conferencing facilities, which help to ensure that the right people are in the right roles and that behaviours are aligned with those at the corporate centre.

Hiring and developing overseas leaders
The Group's USA operations comprise Zotefoams Inc and its subsidiaries Zotefoams MidWest and MuCell Extrusion LLC. As part of the discontinuation of our investment in ReZorce, we will no longer have staff at MuCell Extrusion LLC. Zotefoams Inc has been part of the Group since 2001 and has experienced staff, well-embedded reporting and control structures, and a culture of regular and effective communication with senior operational leaders of Zotefoams and the Board. The Zotefoams Inc President is a member of the GET.

The Group's China subsidiary was formed in 2016, while the India subsidiary was formed in 2019. Strong communication and reporting structures enable a frequent and thorough communication process and allow for greater assurance around governance.

Running effective global functions and services
We have invested in human capability in recent years as we have built global functions and hired leaders with the skills and experience to deliver the current and future needs of the Zotefoams business. Currently operating three major foam manufacturing sites, we recognise the importance of cross-site capability-sharing and relationship-building, particularly in functions such as engineering and maintenance and given the uniqueness of our assets, and we are now engaging more frequently face to face to accelerate learning and solve problems together. Our new regional structure will look to embed more capability within the regions, while enhancing the effectiveness of the global functions and making them lighter.

Poland manufacturing site
This site has now been operational since 2021, the local leadership team is well integrated with key, UK-based Group functions and leaders, and regular communication and engagement is the norm.

Vietnam manufacturing site
Zotefoams currently has no connections with Vietnam other than through its customers. However, the Board and GET combined have a significant level of experience in, and familiarity with, the country and expect to hire leaders with the required experience and shared values to mitigate the risk arising from entering a new country. During the build phase and for the foreseeable future, the success of Vietnam will be integral to the success of the Group's refreshed strategy, and interactions will be frequent and regular.

Upgraded IT
We have up-to-date IT systems which standardise information and improve communication and visibility. We use Microsoft Teams for effective videoconferencing and have continued to roll out and educate staff on the upgrades that Microsoft has made to all systems the Group uses throughout the period. The Group's systems are implemented into all new subsidiaries as they are set up.

Training
We run a risk and role-based global compliance training programme, which includes tracking mechanisms across all our locations. Key policies are translated into local languages to facilitate understanding.

Steering Committees

Board
Audit Committee (in relation to Finance)
Group Executive Team
HR and Training Steering Committee
IT Steering Committee
Zotefoams Inc Executive Committee
MEL Executive Committee
Zotefoams Poland Executive Committee

RISK MANAGEMENT AND PRINCIPAL RISKS (CONT.)

Strategy Risk trend

Customer concentration

1 2 3 4 ↑

Description and context

What is the risk?
Group performance could be impacted by the loss, insolvency or divergence of interest with a key customer.

Material influencing factors
Other than in our Footwear business, the Group's largest customers have traditionally been converters of foam, none of whom have represented a material share of the Group's revenue or future opportunities. The Group has successfully grown its Footwear business through an exclusive partnership with Nike, which in 2024 represented 45% of Group sales (2023: 36% of Group sales), and projects in the HPP portfolio have the potential to be much larger than those with our typical AZOTE® foam customers. Divergence of interest with Nike, or alternative supply options for Nike, represents a material risk if the business is lost, while our growth opportunities with high-performance products are also likely to reshape this risk profile.

The Group has invested in capacity expansion in recent years, built to service growth which in recent years has come from our footwear success. In an organisation with high operational gearing, filling capacity is critical to strong financial performance.

Mitigating actions

Maintaining and growing our Footwear business
We recognise the importance of footwear in our sales portfolio and the success we have achieved with our market leading offering and intend to grow sales in this sector further. We have an exclusivity agreement with Nike to 31 December 2029, demonstrating the commitment by both parties to further develop footwear technology and the partnership's success. The footwear industry has the majority of its manufacturing and innovation base in Asia and competition is growing. We have determined that future growth with Nike will only be secured through shorter supply chains, lower costs and faster, more collaborative, innovation in technology and product development. As a consequence, we have made the decision to invest in new footwear operations in Asia, the primary region for global footwear production and the location of our direct customers, as well as Nike's Footwear innovation centre. This will allow us to maintain and further enhance our close and strong working relationship with Nike.

Growing other parts of our portfolio
We are aware of the importance of growth beyond our Footwear business and have embarked on a refreshed strategy to improve the portfolio balance. We are using the results of a recently commissioned and extensive survey of the global foam market to identify the markets with the longest runway for growth. We have determined these to be three market verticals: Consumer & Lifestyle, Transport & Smart Technologies and Construction & Other Industrial. Led by a newly created role of Group Commercial Director, we have restructured our business development and sales organisation and will recruit sector experts to gain access into customer prospects and drive through the many advantages our technical foams can offer when compared with, in most cases, non-foam incumbent materials. This represents a shift in strategy from a product focus to a market focus. We will support this focus with an inorganic growth strategy that will increase our capabilities and increase the value captured by our technology. We are excited by the size of the opportunities these markets offer and have the capacity, risk appetite and financing capability to pursue them.

Protecting our interests
Where we engage with large customers much larger than us such as Boeing and Nike, we seek to ensure that our interests are protected by balanced commercial contracts and strong relationship management. The Board is heavily involved in such decisions. These relationships are by their nature longer term, providing a unique technical solution and competitive advantage to the foam customer or end-user. The loss of such a customer is likely to come with a reasonable notice period, allowing us time to take appropriate action. Existing large end-customers are blue-chip global organisations, which management considers have the financial strength or strategic importance to withstand macroeconomic challenges.

We will continually review our customer spread and balance.

Steering Committees

Board

Group Executive Team

Strategy 1 2 3 4 5 Risk trend ↑

External

Description and context

What is the risk?
Business growth prospects are vulnerable to movements in foreign exchange rates and geopolitical and economic developments. These factors are often out of our control and may influence our business in a number of ways, including affecting how we execute our strategy, impacting costs, creating competitive disadvantage and negatively impacting our return on capital employed. They can also influence the other principal risks and uncertainties listed in this section.

Material influencing factors
COVID-19 realised the previously considered low risk of a pandemic event severely impacting demand, affecting continuity of operations and the health of our staff, and restricting the ability to manage a business and people in different geographic locations.

Our markets are exposed to general economic and political changes which have an influence on economic stability and market and consumer confidence, which in turn may impact the Group's performance and ability to achieve our strategic objectives. Being at the beginning of the value chain, the Group often sees the impacts of downturns early, accentuated as customers deplete their inventories, but it then benefits from seeing the recovery sooner too. The impact on profit of such risk is accentuated by the Group's operational gearing and its demand for skilled employees, given the business's uniqueness, which makes short-term cost cutting often inadvisable.

The conflicts in Ukraine and Gaza have created volatility around the cost and availability of certain products and utilities. Input costs can rise faster than the Group's ability to raise prices, which are typically increased only after discussions and impact assessments with our customers, placing short- to mid-term pressure on margins due to the timing of inflation recovery.

We consider the wider risk of geopolitical actions and seek to understand these to develop contingency plans which may mitigate, but are unlikely to eliminate, the impact on our business. The conflict in Ukraine has generated ripple effects across the political and macroeconomic environment, in particular in Europe but also in some of our other markets, requiring us to adapt accordingly.

The US administration's wave of tariffs, announced a week before the signing of this Annual Report, has created significant uncertainty as governments consider their actions and engage in dialogue with the US on mitigation opportunities. This will have some impact on our operations, supply chains and customers, although the fluidity of the situation makes the precise impact difficult to assess.

Zotefoams is exposed to foreign exchange fluctuations, both at a transactional level and on the translation of foreign currency balances and the consolidation of its foreign subsidiaries. Despite recent investments overseas, our operations remain substantially based in the UK and, therefore, most of our manufacturing assets and costs are sterling denominated. We normally invoice our customers in their local currencies and 2024 was consistent with previous years in having a large proportion of the Group's revenue in currencies other than sterling, mainly US dollars or euros. We therefore generate surpluses in US dollars and euros, which are converted into sterling.

The level of the Group's debt and base rates of the currencies in which the Group borrows can vary and change rapidly, having a material impact on profitability, particularly as the interest rate terms are variable.

The relationship between the UK and Europe has improved but remains delicate. A deterioration does not affect Zotefoams directly but could have repercussions that might result in disruption or tariffs. The risk remains of increased difficulty in attracting EU talent into our global headquarters in the UK as a result of the end of the free movement of people.

Mitigating actions

Pandemic response
We have demonstrated through actions and performance our ability to negotiate the challenges raised by a pandemic and are prepared to reintroduce measures quickly should a similar situation reappear.

Diversifying our markets
Some of our markets can be cyclical. However, this risk is spread geographically and across a number of segments that are expected to diversify further as we grow both organically and inorganically. The Group is operationally geared, but our experience is that, during challenging times, certain operational labour costs can be reduced, polymer prices generally fall with reduced economic demand, giving a cost benefit, and cash can be generated quickly from both reducing working capital and slowing capital expenditure projects to help offset the effects of a downturn. This was our experience during 2020. Decisions in this regard are, however, taken with respect to our assessment of the underpinning reasons for a downturn, our belief in the likely recovery and an assessment of the impact of short-term cost control on medium-term growth potential.

Managing input cost pressure and margins
After a prolonged period of across-the-board inflationary pressure in recent years, 2024 saw a relaxation of certain input cost pressures but a continuation of cost pressures specific to labour. Zotefoams will ensure it adjusts prices more quickly than previously when costs are increasing, while working relentlessly on efficiency measures inside the business and collaborating closely with its customers to find the most appropriate product offering for their needs. This will ensure the Group meets its strategic objective of increasing operating margins.

RISK MANAGEMENT AND PRINCIPAL RISKS (CONT.)

Strategy | Risk trend

External (cont.)

1 2 3 4 5

Mitigating government protectionist measures

With the US government announcing its wide-ranging imposition of tariffs a week before the signing of this Annual Report, the fluidity of the situation makes it difficult at this time to assess the precise impact. However, Zotefoams believes it is well positioned to manage these new threats. While all our high-performance products are manufactured in the UK, the majority of these products supply the footwear industry and are sold directly to Asia, the global base for footwear product manufacturers. It is worth noting that China, Vietnam and Indonesia collectively count for more than 90% of the global athletic footwear market in terms of production. With the significant labour cost differential – USA costs are 10 times those of Vietnam – we do not believe that the footwear industry will move to the USA. Rather, we anticipate an acceleration of production shifting from China to Vietnam and Indonesia, as China is already a more expensive production location before tariffs and faces a significantly higher total tariff rate.

Zotefoams is investing in its own Vietnam production facility, which is expected to be commissioned late 2026/early 2027 and will sell to our customers in the region. This investment aligns with the industry's migration patterns and positions us well to serve the market directly. Tariffs on footwear products supplied by our Asian customers internationally would affect the entire industry. While this may create price pressure and potentially slow the adoption rate of supercritical foams (which currently represent 4-6% of the total athletic footwear market), we believe the larger opportunity for growth remains intact. The primary risks relate to overall consumer demand and potential quality adjustments to maintain price points, although we expect these impacts to vary across different market segments.

Outside of footwear, the US aviation market dominates the rest of our high-performance products. Here, the sales agreements are between our US business and US customers, with the UK acting as a tolling manufacturer, which reduces the financial impact of a tariff. As this market grows, we expect the Kentucky facility to begin servicing the market directly.

In our Polyolefin Foams business, and remaining in the USA, the majority of this business is self-contained, serviced from our Kentucky and Oklahoma locations, with operating costs locally sourced and sales within the region. Uncertainty remains around the longevity and impact of tariffs on trading between our US facility and our Canadian customers, but we could use the UK facility to supply, in particular and if required, those in the automotive industry; however, this is an indirect risk and we are seeing these customers considering relocating across the border. We also supply US-based automotive customers, who might benefit from the situation and leave our volumes overall unaffected.

In Europe, our business is increasingly being serviced from our Poland facility, which takes semi-finished product from the UK, completes the manufacturing process and sells on to our European customers, reducing the financial impact that any hypothetical, and considered unlikely, tariffs might have on the UK.

Managing exposure to the US dollar and euro

We reduce our net foreign exposure to transactional items by making purchases either in US dollars or euros. For example, the majority of raw materials purchased for consumption in the Croydon, UK, manufacturing facility are in euros. With our European sales invoiced in euros, we have benefited from a net neutral hedging position on the euro in recent years. With the US dollar, we incur costs associated with the Group's operations in Kentucky, USA, in US dollars and our scaling-up of operations in Kentucky, USA, has reduced currency exposure to transactional items by increasing the operating cost base in the USA. Raw materials are purchased locally, and a larger workforce supports full process production. Our greatest exposure to currency comes from the success of our Footwear business, where all sales are invoiced in US dollars, but most costs are either in sterling or euro. Our footwear agreement does, however, include arrangements to recover movements in foreign currency that affect the margin achieved on our sales, although these come with a time lag which can have a positive or negative benefit in the short term but balance out in the medium term.

Currency hedging

The Group has a hedging policy which is approved by the Board. The Group hedges a proportion of its net exposure to transactional risk by using forward exchange contracts. We do not hedge for the translation of our foreign subsidiaries' assets or liabilities in the consolidation of the Group's financial statements. We do, however, hedge our statement of financial position through matching, where possible, our foreign currency denominated assets with foreign currency denominated liabilities, such as by foreign currency debt financing.

Managing our debt facilities

We maintain close relationships with our supporting banks, meeting with them regularly and updating them on performance and outlook. In March 2022, we completed a new refinancing round, which led us to remain with the same banks following a strong competitive process and which has a five-year tenor.

Our debt facilities are based on variable interest rates, which we could hedge if we deemed appropriate. We have reviewed this as base rates have risen but have elected not to do so.

The Board targets a leverage within the range of 0.5x to 1.75x. At 31 December 2024, leverage was 0.9x. Based on our most recent five-year strategic plan, and excluding potential acquisitions, we expect our net debt levels to remain within this range. Acquisition financing would comprise a blend of debt and capital raising, subject to the size of any investment.

Our budgets and forecasts going forward include investments in growth opportunities, some of which can be slowed if necessary. We stress-test our possible outcomes and engage with our banks to ensure their continued support under all circumstances.

Steering Committees

- Group Executive Team
- Foreign Exchange Steering Committee
- Zotefoams Inc Executive Committee
- MEL Executive Committee (in 2024 but is disbanded from 2025)

VIABILITY STATEMENT

The viability period

In accordance with provision 30 of the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a longer period than the twelve months required by the going concern provision.

The Directors consider the timeline of five years to be appropriate, being the period upon which the Group actively focuses, has reasonable visibility over its opportunity portfolio and, given the nature of capital investment that might be required to support the Group's anticipated rate of growth, covers investments that in some cases require long lead times as a result of the nature and capital intensity of its technology. A longer period of assessment introduces greater uncertainty since the variability of potential outcomes increases as the period considered extends. A shorter period of assessment impacts the Group's ability to put the right capacity in the right place on time.

Assessing viability

The Group is considered to be viable if it maintains interest cover and net borrowings to EBITDA ratios, as prescribed by its existing financial covenants and presented in the Group CFO's review under "Debt facility" on page 36, and if there is available debt headroom to fund operations.

The Directors' assessment of viability has been made with reference to Zotefoams' current position and prospects, our alignment with global trends, our strategy, the Board's risk appetite and Zotefoams' principal risks and how these are managed, as detailed on pages 1 to 50.

The Board reviews the Group's internal controls and risk management policies as well as its governance structure. It also appraises and approves major financing and investment decisions as well as the Group's performance and prospects as a whole. The Board reviews Zotefoams' strategy and makes significant capital investment decisions over a longer-term time horizon, based on the Group's strategic growth objectives, individual project investment returns, the continuing performance of the business, the quality of its portfolio of opportunities, its financing arrangements and opportunities, and a multi-year assessment of return on capital.

The bottom-up five-year plan is reviewed at least twice annually by the Directors. In assessing the future prospects of the Group and the achievability of this plan, the Group has considered the potential effect of risks that could have a significant financial impact under severe but plausible scenarios. The risks considered were identified from the Group's principal risks and uncertainties assessment. While testing against each individual scenario, the Board has also considered the impact of a combination of the scenarios over the assessment period. This was in order to stress-test an aggregation of severe but plausible risks occurring that should represent the greatest potential financial impact both in the short-term and longer-term viability periods.

The Directors considered mitigating factors that could be employed when reviewing these scenarios and the effectiveness of actions at their disposal. These include experiences and successes related to cost and capital expenditure management in 2020 during the COVID-19 pandemic, adequate insurance coverage, the unwinding of working capital in a downturn and ceasing some activities.

We are satisfied that we have robust mitigating actions in place. We recognise, however, that the long-term viability of the Group could also be impacted by other, as yet unforeseen, risks, or that the mitigating actions we have put in place could turn out to be less effective than intended.

Scenarios tested

Base case

The Group's five-year plan is prepared annually and presented, challenged and approved by the Board in October. The base case uses the five-year period out to 2029. It is based on organic growth and pursuit of the strategic objectives.

The following downside scenarios have been evaluated:

Scenario 1:

Pandemic disruption. We applied our experiences of the 2020 pandemic and the cost- and cash-saving activities we successfully implemented to stress-test for Group revenue levels that breach banking covenants.

Read more. Principal risk: External, on pages 49 and 50.

Scenario 2:

Significant cost inflation over a long period with no ability to adjust prices. This also included a stress case scenario to assess the lowest margins that can be tolerated, which addresses the impact of commodity price volatility, high inflation, rising interest rates, high energy prices and high labour costs.

Read more. Principal risk: Operational disruption, on pages 42 and 43; External, on pages 49 and 50.

Scenario 3:

Business performance risks. These include business unit growth at rates significantly below those included within the five-year plan.

Read more. Principal risk: Technology displacement, on page 46; External, on pages 49 and 50.

Scenario 4:

Loss of a key customer. This scenario reflects losing the footwear business.

Read more. Principal risk: Operational disruption, on pages 42 and 43; Global capacity management, on page 45; Customer concentration, on page 48.

Scenario 5:

Sterling returning to 20-year highs of two US dollars to one pound sterling. This scenario evaluates the cash impact on the Group as a result of forecast growth coming increasingly from US-denominated sales. The euro impact is not considered material given the natural hedge of euro sales against raw materials and the operating costs of the Poland plant.

Read more. Principal risk: External, on pages 49 and 50.

Confirmation of longer-term viability

Based on the assessment explained above, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, over the next five years.

NON-FINANCIAL INFORMATION STATEMENT

Zotefoams has reported extensively on its non-financial impacts within its Annual Report for a number of years and welcomes continued increasing focus from regulators, shareholders and other stakeholders. This table outlines how Zotefoams meets the non-financial reporting requirements contained within Sections 414CA and 414CB of the Companies Act 2006.

Reporting requirement	Relevant Group policies https://zote.info/3x0de78	Due diligence processes	Information relating to policies and due diligence processes
Environmental matters		Governance by the Environmental Steering Committee and Group Sustainability Steering Committee SASB disclosures Sustainability targets TCFD disclosures in accordance with the Financial Conduct Authority (FCA) listing rule LR 9.8.6 R(8)	See our Risk management section on pages 38 to 50 and our Environment section on pages 56 to 71, and our Sustainability page on our website https://zote.info/3mjufjS
Employees	Group-wide policies on equality, diversity and inclusion, ethics and whistleblowing Group health and safety policies	Social initiatives and policies Health and Safety Steering Committee Joint Consultative Committee Comprehensive Group-wide health and safety and compliance training programme Board Diversity Policy	See our Social section on pages 63 to 71, our Directors' report on pages 98 to 100 and our website https://zote.info/3x0de78
Social matters	Group-wide policies on ethics and whistleblowing	S172 disclosures relating to stakeholders, including suppliers Environmental Policy and Sustainability Statement Community engagement	See our S172(1) statement on pages 53 to 55 and our Sustainability page on our website https://zote.info/3mjufjS
Anti-bribery and corruption	Group-wide policies on anti-bribery and corruption, fraud and whistleblowing	Training and compliance with anti-bribery and corruption, fraud and whistleblowing modules Supplier onboarding and review programme incorporating adherence to Zotefoams' ethics, modern slavery, anti-fraud and anti-bribery and corruption requirements Audit Committee and Internal Controls Committee reports	See our Social section on pages 63 to 71 and our S172(1) statement on pages 53 to 55
Human rights	Group-wide policies on ethics and dignity at work	Compliance with section 54(1) of the Modern Slavery Act 2015	Modern slavery disclosures on our website https://zote.info/3x0de78

S172(1) STATEMENT
OUR SHAREHOLDERS AND STAKEHOLDERS

The Companies (Miscellaneous Reporting) Regulations 2018 (2018 MRR) require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in Section 172(1) (a) to (f) of the Companies Act 2006 (S172) when performing their duty to promote the success of the Company under S172.

Decision-making

The Board delegates day-to-day management and decision-making to the Group Executive Team (GET) but maintains oversight of the Group's performance and reserves to itself specific matters for approval, including significant new business initiatives. It monitors that management is acting in accordance with, and making progress on, the agreed Group strategy through regular Board meetings supported by information packs received in advance to enable effective preparation and consequent discussion, monthly reporting of business performance, direct engagement with the GET and employee groups and attendance by a Board member at the Joint Consultative Committee representing UK workforce views. Processes are in place to ensure that the Board receives all relevant information to enable it to make well-judged decisions in support of the Group's long-term success.

The Board has regard to the following matters in its decision-making:

- the likely consequences of any decision on the long term
- the need to act fairly between members of the Company
- its environmental impact
- key stakeholders (including shareholders, customers, suppliers, communities and employees, with further details being provided in our Social section)
- maintaining a reputation for high standards of business conduct.

Decision	New strategic direction
Context	Guided by Zotefoams' purpose, optimal material solutions for the benefit of society, the new Group CEO, supported by the GET, has refreshed the Group's strategy, with an emphasis on our customers and the market, investing in innovation to unlock new opportunities and targeting inorganic opportunities. The market size has been reassessed with the support of a third-party adviser, the business focus repositioned from product to geography, the key markets we can succeed in identified and the commercial team realigned. A refocused innovation team based away from the Croydon manufacturing facility will accelerate the development and launch of new products and solutions. A dedicated M&A function will identify and drive inorganic growth opportunities.
Stakeholder considerations	**Shareholders** The Group CEO has engaged extensively with key institutional shareholders since his appointment in May 2024. In March 2025, a capital markets day was held to present the business's new strategy to institutional investors. **Customers** The customer will be better served by a refocused commercial strategy centred around addressable markets backed by investment in innovation. **Employees** Clear and frequent communications have been held across the Group, with global townhall meetings presented by the GET via video conference as well as physical townhalls during individual visits.
Strategic actions supported by the Board	Approval of a plan to simplify and scale the business by developing high-performing teams, promoting sustainable innovation, moving along the value chain, expanding geographic reach and changing the organisational focus from product to market. Approval of a realigned commercial structure to better serve key markets.
Impact of these actions on the long-term success of the Company	The new strategic approach aims to increase revenue and profitability by securing and building on existing commercial relationships, generating new commercial opportunities in existing and new markets, and capturing inorganic growth opportunities.

S172(1) STATEMENT (CONT.)

Decision	New Group Executive Team structure
Context	Following the appointment of a new Group CEO, a broader and more diverse GET has been established to deliver on the Group's refreshed strategy.
Stakeholder considerations	**Shareholders** The restructured leadership team, with added capability, will help ensure the delivery of an ambitious strategy that will increase shareholder returns. **Employees** The GET membership now incorporates specialist functions aligned with Zotefoams' strategic objectives. Leaders will leverage new corporate values that were launched during the year to help improve employee engagement and develop high-performing teams.
Strategic actions supported by the Board	Appointment of additional executive leaders. Implementation of new values.
Impact of these actions on the long-term success of the Company	The new management structure aligns with the refreshed strategy, adds capability, diversity of thought and experience, and the leaders will leverage the Group's new values to build, lead and incentivise their teams to deliver on the Group's strategic objectives.

Decision	Global alliance with Shincell
Context	In May 2024, Zotefoams entered into a global alliance with Suzhou Shincell New Materials Co., Ltd ("Shincell") of Suzhou, China in relation to technology licensing, market cooperation and product development.
Stakeholder considerations	**Shareholders** The accelerated knowledge acquired by Zotefoams allows for faster implementation of innovative technology and ideas and faster capturing of commercial opportunities, improving financial returns. **Environment** Zotefoams and Shincell share a commitment to sustainability and innovation. The development of environmentally friendly lightweight foam materials will support Zotefoams' sustainability objectives. **Customers** Shincell's complementary technologies extend Zotefoams technical capability, enabling a wider scope of products in both new and existing markets and enhancing the Group's technology platform for new products to deliver growth.
Strategic actions supported by the Board	Approval of an agreement on technology licensing from Shincell to Zotefoams, development and market cooperation. Approval of a regional product distribution agreement allowing products manufactured using Shincell's sustainable technology to be marketed alongside Zotefoams' existing and future product range.
Impact of these actions on the long-term success of the Company	The alliance will provide an opportunity to enhance the growth potential of Zotefoams' specialist foams business with sustainable solutions. It has already accelerated innovation by a number of years to allow us to invest in Vietnam with a modification to our existing technology.

Decision	Pausing the investment in ReZorce® Circular Packaging
Context	In December 2024, the Group decided to pause its investment in ReZorce® Circular Packaging and focus all of the Group's resources on the opportunities in the core supercritical foams businesses. This generated an exceptional item of £15.2m, representing the impairment of the MEL business unit and a provision for closure costs. Despite continued technology progress and global recognition, the Board's stated target of securing an investing partner was not achieved and the cost of proceeding alone was assessed as being prohibitive. In 2024, MEL generated an operating loss of £4.9m (2023: £4.4m).
Stakeholder considerations	**Shareholders** Eliminating the losses in MEL and making the decision to cease further investment allows Zotefoams' management to focus on the opportunities identified in the core business and accelerate shareholder returns. **Environment** Zotefoams believes the ReZorce technology offers significant sustainability benefits over existing carton solutions, but it cannot proceed alone. It has retained the IP and is prepared to revisit the technology in the future should conditions change, and a partner come forward. **Employees** Considerate and clear communications were held with employees affected by this decision and a fair settlement agreed with all.
Strategic actions supported by the Board	Regular reviews throughout the year of progress and detailed consideration of the options available to Zotefoams before approving the decision to pause further investment.
Impact of these actions on the long-term success of the Company	The decision to pause allows Zotefoams to redirect financial and management resources to its new strategy.

Decision	Investing in an Asian manufacturing facility
Context	In March 2025, the Board approved a capital investment of £26.0m to build a facility in Vietnam that will service its Footwear business, commissioning in late 2026/early 2027, together with an Innovation Centre in South Korea. This investment locates the Group close to its key customers, allows it to accelerate innovation alongside its end-customer, and provides a critical foundation to allow a new growth curve for the footwear segment.
Stakeholder considerations	**Shareholders** This investment helps secure its position alongside Nike in footwear and gives a significant opportunity for further growth not offered by remaining a UK-based supplier. **Environment** Located closer to the customer, the supply chain will be significantly shortened, reducing emissions. The switch from supplying foam in sheet form to a near net shape preform will result in a 90% reduction in the waste levels generated by customers. **Community** The new site in Vietnam will require a large, local workforce and significantly increase employment opportunities in the area.
Strategic actions supported by the Board	The performance of a feasibility study and engineering review. The decision to invest in Vietnam and South Korea following review of a detailed investment plan.
Impact of these actions on the long-term success of the Company	This investment protects Zotefoams' current largest market sector and provides a springboard for future growth through a manufacturing base in Asia.

Focus on modern slavery disclosures

We are committed to acting ethically and with integrity in all our business relationships and to having in place effective systems and controls to ensure slavery and human trafficking are not taking place in any part of our supply chain. Having extended our disclosures to Zotefoams' global operations in 2023, we deepened our engagement with suppliers in 2024 through site visits incorporating observations on employee wellbeing and health and safety. Feedback from these visits will be disclosed in our 2024 Modern Slavery Statement.

Scan the QR code to see Zotefoams' Modern Slavery Statement
https://zote.info/3x0de78

Fola Adeyemo
Group Supply Chain Compliance Manager

"As a legally trained procurement specialist, I have always been interested in processes and continuous improvement. My career started at the sharp end of manufacturing, working in a fashion house with suppliers in Bangladesh, China, India, Italy and Turkey. Site visits taught me the importance of transparency in supply chains and why collaboration is key. The value of cross-functional teamwork goes beyond problem-solving – it builds up the capacity to innovate. I have been involved in the mapping of the Zotefoams supply chain and have led a project on identifying and managing modern slavery risks in all geographies in which the Company operates. With Zotefoams' support, I completed the Chartered Institute of Procurement and Supply's Advanced Certificate in Procurement and Supply Operations in 2024, covering topics such as ethical procurement, team dynamics and change. Personal development is a key motivator for me and I plan to continue my education. I am excited to find new ways to support the business at a time of expansion and growth."

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

Zotefoams' ambition is captured in its purpose: providing optimal material solutions for the benefit of society. Building on an established ESG strategy, we are developing propositions aligned with market needs, fuelled by research and innovation.

R Cox
Group CEO

Our strategy
Our purpose, supported by our values, Courage, Impact and Respect, drives our decision-making and provides the framework for our priorities. Managing our responsibilities towards ESG issues contributes to long-term value creation and helps safeguard the business's future. We believe that, used appropriately, plastics are frequently the best solution offering the lowest environmental impact for the long-term applications typically delivered by our customers.

Environment	**At Group level:** • Decrease of 13.4% in water consumption since 2023 • Increase to 55.0% in waste being recycled (up from 51.0% in 2023) • 100% renewable electricity in the Croydon, UK, Brzeg, Poland and Walton, USA sites (representing over 99.0% of global electricity consumption) **In Croydon, UK** • Decrease of 9.2% in our Specific Energy Consumption.
Social	• Gender pay gap of 11.8%, improved by 1.3% compared with 2023 • A Living Wage is paid in the UK in line with the Living Wage Foundation's recommendation. Above minimum wage is paid in all other geographies we operate in • 11,300 Group safety engagements • Developed a Health and Safety day programme implemented across Croydon, UK, Brzeg, Poland, and Walton, USA in 2024 • Implementation of new values.
Governance	• Appointment of a Board Fellow to support diverse thinking • Implementation of a new Group Executive Team structure to support growth and innovation. Further details are provided on page 21.

"Sustainability and the ESG space are growing for a reason – they are integral to the success of a business and to the communities we live in. Having worked for a number of years with leading brands across multiple areas and countries, I have seen first-hand the importance of companies acting with integrity and transparency through their operations, supply chain and people's strategy. I am proud to be working at Zotefoams. Running a sustainable business is about maintaining profitability to ensure that we can continue to develop innovative products that support the circular economy, while having a positive impact on the environment and communities with which we engage. We value all our stakeholders and partnerships, and I am honoured to be working with them to support the growth of an industry which is important to so many sectors."

Tamara Thomas
Group Sustainability Manager
Joined Zotefoams in 2024

	Areas of focus		Sustainable Development Goals (SDGs)
Environment	• Environmental Steering Committee • ISO certification[1] including ISO 14001:2015 Environmental Management Systems certification in the UK and Poland. Plans to implement ISO 50001:2018 (Energy Management Systems) certification in the UK and Poland • 100% renewable electricity in the Croydon, UK, Brzeg, Poland and Walton, USA sites (representing over 99% of global electricity consumption)	• Good progress on energy and water consumption and waste reduction • Targets in place for waste reduction, sustainable product development and energy consumption reduction • Annual disclosures to Carbon Disclosure Project (CDP) • Compliance with the Task Force on Climate-Related Financial Disclosures (TCFD).	
Social	• Health and Safety Steering Committee • ISO45001 (Occupational Health and Safety Management Systems) certification in the UK and Poland. Plans to extend certification to Walton, USA and Kunshan, China in 2025 • Implementation of new values	• Graduate Scheme • Comprehensive HR policies • Living Wage employer (UK) • Gender pay gap of 11.8% (UK gender pay gap: 13.1%) • Thorough modern slavery monitoring.	
Governance	• ESG considerations embedded within our risk and opportunity management process through alignment with the Sustainability Accounting Standards Board (SASB)	• ISO certification including ISO 9001:2015 (Quality Management Systems) in the UK, Poland, Walton, USA and China and ISO 27001:2022 (Information Security Management Systems) in the UK, all sites in the USA and Poland.	

[1] ISO certification is focused on the three main sites (Croydon, UK, Brzeg, Poland, and Walton, USA) unless required locally for operational or financial reasons. For smaller sites, the costs arising from some ISO certifications outweigh the operational benefits and are therefore not sought. Structures sufficient to manage processes to a good standard are replicated from the larger sites.

We follow the guidance provided by ISO 14021:2016 when making environmental claims. Where appropriate, we have products certified by independent organisations when making environmental claims, such as for recycled content.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT (CONT.)

Zotefoams Green Revenue Index

Product	Green revenue definition	Sector revenue £m	Green revenue £m
Polyolefin Foams	Applies to: • products typically manufactured using 30–50% less raw material than comparably performing foams • products used for thermal insulation in construction, aviation, railway and road vehicles to replace heavier materials, enabling benefits in fuel economy • products providing durable protection designed for multiple reuse.	66.9	50.8
High-Performance Products (HPP)	Applies to: • foams that allow for considerable increases in the efficiency of resource usage • products used for thermal insulation (predominantly building and construction but also aviation) and to replace much heavier materials, enabling benefits in fuel economy (aviation systems where foam replaces heavier materials) • footwear components designed with the intent to use less material.	79.6	78.9
MuCell Extrusion LLC (MEL)	Applies to: • microcellular foam technology licences and related machinery designed to allow considerable increases in the efficiency of resource usage by reducing the raw material used in components by 15–20%.	1.2	1.2
Total revenues		**147.8***	**130.9**
Percentage green revenues			**88.6%**

* After rounding.

Green revenues

Our criteria for green revenues are products which, during manufacture or use, provide a substantial increase in the efficiency of resources used. The applications we serve are varied and diverse, so, in calculating green revenues, we have assumed that all applications within a market achieve the same benefits in resource efficiency. For transportation markets, the benefits are reduced weight products which not only use less material but also allow improved fuel efficiency. For both Product Protection and Sports & Leisure markets, the products are designed to be lighter so they use less material for the same or superior performance. For Building & Construction markets, our products are designed to save energy by sealing or insulating buildings and pipework. We have excluded revenue from sales to Industrial and Medical markets as, while some applications will undoubtedly offer resource efficiency benefits, many will use our products primarily for other performance attributes such as purity.

Environmental governance

We have embedded ESG considerations within our risk management process, described on pages 38 to 40, through alignment with the Sustainability Accounting Standards Board (SASB) requirements and the Financial Conduct Authority (FCA) listing rule LR 9.8.6 R(8), which implements the TCFD recommendations. The risk management process aims to support the achievement of our strategic objectives through the identification and management of risks which may impact the long-term prospects of the Group. Corporate ESG objectives, which flow down to all areas of our operations and incorporate long-term aims, have been set and are frequently reviewed.

The Board has ultimate responsibility for environmental governance and performance and oversees a system of policies, practices and procedures that are implemented Group-wide to support Zotefoams' environmental objectives. The Group CEO is directly responsible to the Board for environmental performance.

Our approach to environmental sustainability

The environmental sustainability approach adopted by Zotefoams is centred on the following principles:

i) minimising the use of natural resources through a series of internal measures aimed at reducing our carbon footprint

ii) preferentially operating in markets where Zotefoams' products offer unique sustainability advantages which benefit society through their use-phase resource efficiency. This is a concept defined by SASB as a product that, through its use, can be shown to improve energy efficiency, eliminate or lower greenhouse gas (GHG) emissions, reduce raw material consumption, increase product longevity or reduce water consumption

iii) innovating a more sustainable product portfolio. We are focused on the needs of our customers and markets and committed to innovating the most sustainable solution, whether this be products designed for circularity; to minimise the impact on natural resources from both manufacture and in-use through to end-of-life; to eliminate or minimise the use of materials and substances that may be hazardous to human health or the environment.

Targets are in place to manage our Scope 1 and 2 emissions through the reduction of energy consumption, material used in manufacturing processes, and waste; see pages 59 to 62. In order to align our commercial approach with customers' use-phase efficiency, we have created a simplified Product Carbon Footprint (PCF) which can be used to assess typical products and applications. Our Scope 1 and 2 emissions data, along with these example Life Cycle Assessments (LCAs), are made available to customers to enable them to make informed decisions. We continue to review the Scope 3 emissions under our control, or alternatively over which we have influence, and use this to guide our decision-making; for example, we preferentially select polymers with a lower carbon footprint.

We are committed to using renewable electricity where feasible and 100% of the electricity used in our UK, Poland and USA (Walton) sites comes from renewable sources (representing over 99% of global electricity consumption).

A monitoring service is used on an ongoing basis to ascertain whether substances used in the manufacture of products are currently, or potentially, listed under the Globally Harmonised System of Classification and Labelling of Chemicals (GHS) Category 1 and Category 2 Health and Environmental Hazardous Substances, or equivalent applicable jurisdictional laws or regulations regarding chemicals of concern. Our approach is to develop new products which do not use such substances. We have active programmes, and work with our customers and suppliers, to develop alternatives to current products which incorporate such substances. These are primarily flame retardant and stabilisation additives, which are purchased as a masterbatch, bound into the polymer, and present no hazard to human health in that form.

Environment

The Group waste and recycling position progressed to 55% recycling of all waste.

While the amount of material gassed in our two main manufacturing sites, Croydon, UK, and Walton, USA, increased by 1.8%, we reduced our energy usage for these sites by 0.7%.

Productivity was improved through the use of Overall Equipment Effectiveness (OEE) methodology, which focused on reducing cycle times and reload sequences. Best practice was shared across all sites to enhance learnings. Despite increased activity, improvements were also noted in water consumption and waste management.

A significant Group-wide reduction of 13.4% in water consumption was achieved through a number of focused initiatives, including a rainwater harvesting project and optimising coating processes. The Group waste and recycling position progressed to 55% recycling of all waste.

Key metrics

	2024	2023	2022
Internally recorded environmental incidents:			
Level 1	**0**	0	0
Level 2	**0**	0	1
Company metrics (UK only)			
Energy usage (MWh)	**44,448***	45,169*	46,483*
Specific Energy Consumption (kWh/kg) Calculation shown as mix-neutral assessment of energy usage per kg of polymer processed.	**7.02***	7.73*	8.58*
Group metrics			
Energy usage (MWh)	**68,128***	68,559*	69,017*
Energy usage (GJ)	**245,259**	246,812*	248,463*
Proportion of energy from grid electricity (%)	**45**	44	45
Proportion of energy from renewable sources (%)			
UK site	**45**	46	
USA sites	**42**	40	
Poland site	**47**	46	
China site	**28**	28	
Group	**44**	44	35

* From 2022, the reported energy usage includes electricity, gas and other fuels (LNG, diesel and propane). In prior years, not all fuels were included as they were not material. We are committed to using renewable electricity where feasible. 100% of the electricity used in our UK, Poland and USA (Walton) sites comes from renewable sources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT (CONT.)

There were no significant environmental incidents during the year (2023: none). Previous years have been analysed against an internal categorisation introduced in 2018, guided by the environmental reporting guidelines.

Environmental incidents are categorised as follows:

Level 1 – Reported to Environment Agency (e.g. polluting incident)

Level 2 – Reported to local authority (e.g. waste concerns)

Level 3 – Internal report only (e.g. small granule spills)

The Company ensures that all environmental reports of incidents are taken seriously and appropriately investigated and that the responses given are appropriate to their level of impact or potential impact. Eleven internally reported Level 3 incidents (2023: 13) relating to minor machine oil spills and plastic granule spills were recorded during the year, all of which were contained. The incidents are captured by daily inspections and actioned as required. The continued yearly decrease is attributed to ongoing high levels of safety observations, employee education and ongoing implementation of the 5S method to reduce waste and increase productivity.

Key targets

Our sustainability targets, set in 2022, focus on the reduction of Scope 1, 2 and use-phase carbon emissions.

Objective	Key performance indicator (KPI)	Target		Achievement	Score
1 Achieve a 10% reduction in the energy used to manufacture our products by 2026	Reduce the energy used per unit of revenue from a baseline of 0.74 kWh/£ in December 2021	2022	0.73 kWh/£	0.66 kWh/£	
		2023	0.72 kWh/£	0.56 kWh/£	
		2024	**0.70 kWh/£**	**0.51kWh/£**	
		2025	0.68 kWh/£		
		2026	0.66 kWh/£		
2 Further develop our product portfolio by designing and developing new products which offer our customers more sustainable solutions such that, by 2026, they will account for 5% of revenue	Share of sales from products introduced from 2021 which are designed for use-phase efficiency (% of revenue)	2022	0.5%	1.2%	
		2023	2.0%	1.1%	
		2024	**3.0%**	**0.5%**	
		2025	4.0%		
		2026	5.0%		
3 Halve the polymer purchased that is not used in the end-product (through internal waste and/or oversized materials) by the end of 2026[1]	Reduction in the mass of excess polymer purchased to that sold (% reduction) from a baseline at the end of 2021	2022	2.5%	4.7%	
		2023	7.5%	10.8%	
		2024	**15.0%**	**12.8%**	
		2025	30.0%		
		2026	40.0%		

[1] The objective to halve the polymer purchased that is not used in the end-product is calculated on a running rate at the end of 2026, whereas the KPI provides intermediate targets for the full year.

Specific Energy Consumption (SEC) – UK

In October 2009, the Company entered into a Climate Change Levy (CCL) agreement, which involves meeting specific voluntary targets to increase energy efficiency and reduce carbon dioxide (CO_2) emissions. Provided the Company meets the requirements of the CCL agreement, it receives a rebate on its electricity bills and is also exempt from the Carbon Reduction Commitment Scheme for the plastics sector; the scheme is run by BPF Energy Limited, to which unadjusted SEC figures are reported quarterly. The scheme will run up to 2025.

The Company measures energy efficiency by taking energy consumption and dividing it by the amount of material (in kg) that passes through high-pressure autoclaves. The increase in production of our HPP foams, which generally require more processing energy than polyolefin foams, prompted us to update these metrics to be product-mix neutral in 2018. In 2024, our adjusted energy efficiency measure, Specific Energy Consumption (SEC), decreased 9.2% to 7.02 kWh/kg (2023: 7.73 kWh/kg), continuing a downward trend initiated in 2015. In 2023, the Company completed its third assessment under the Energy Saving Opportunity Scheme (ESOS) and remains compliant.

The SEC value has been reported in the Annual Report as a mix-adjusted value since 2018. This allows a product-mix-neutral assessment of energy efficiency improvements made.

Global carbon emissions

Zotefoams' products are used globally to improve people's lives and reduce energy consumption, primarily through insulation and weight reduction. The processes we employ to create these foams allow us to use less raw material and produce lighter foams than rival processes, both of which are beneficial for carbon reduction. In making these foams, energy (both gas and electricity) is the main source of carbon emissions from our facilities.

The methodology we have used is in accordance with the guidance published by the Department for Environment, Food and Rural Affairs in June 2013[1]. We have only included our Scope 1 and Scope 2 emissions as defined by this guidance.

Scan the QR code to see the environmental reporting guidelines
zote.info/36LLN69

Waste, water and sustainability targets

Our website provides further metrics on waste, water and carbon emissions.
https://zote.info/3mjufjS

Task Force on Climate-related Financial Disclosures (TCFD) response

Our climate-related financial disclosures for the financial year ended 31 December 2024, in accordance with the FCA listing rule LR 9.8.6 R(8), are provided on our website https://zote.info/3mjufjS. The rule requires relevant companies to report on a 'comply or explain' basis against the TCFD recommendations. We have considered our 'comply or explain' obligation in respect of the eleven TCFD recommendations.

Global carbon emissions

	2024	2023	2022
Group: carbon emissions (CO_2 tonnes)			
Scope 1 emissions (direct emissions from our operations which includes fuel)[1]	**6,941**	7,021	6,932
Scope 2 emissions (indirect emissions, primarily electricity)	**6,277**	6,314	6,029
Total	**13,218**	13,335	12,961
Carbon emissions (kg) per material gassed (kg)	**1.4**	1.4	1.4

1 We do not generate our own energy.

Global pollutant emissions

	2024	2023	2022
NO_x (excluding N_2O)	**2.4**	2.5	2.5
SO_x	**0.0**	0.0	0.0
VOCs	**1.0**	1.0	0.3
HAPs	**0.0**	0.1	0.0

NO_x and SO_x calculated from Scope 1 emissions.

Volatile Organic Compounds (VOCs) and Hazardous Air Pollutants (HAPs) measured on a number of typical production days at factory emission points and scaled for total annual production volumes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT (CONT.)

Sustainability Accounting Standards Board (SASB) disclosures

SASB standards identify the subset of ESG issues that are reasonably likely to have a material impact on the financial performance of the typical company in an industry. The following table summarises our response to the sector-specific standards for chemicals companies.

Topic	Accounting metric	Category	Unit of measure	Code	Supporting disclosure
Greenhouse gas emissions	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Quantitative	Metric tonnes (t) CO2 Percentage (%)	RT-CH-110a.1	See Group carbon emissions table on page 61. 0% of Scope 1 emissions were covered under emissions-limiting regulations
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and analysis	n/a	RT-CH-110a.2	See Group carbon emissions table on page 61 and targets section on page 60
Air quality	Air emissions of the following pollutants: (1) NOX (excluding N2O), (2) SOX, (3) volatile organic compounds (VOCs) and (4) hazardous air pollutants (HAPs)	Quantitative	Metric tonnes (t)	RT-CH-120a.1	See Group carbon emissions table on page 61
Energy management	(1) Total energy consumed (2) Percentage grid electricity (3) Percentage renewable (4) Total self-generated energy	Quantitative	Gigajoules (GJ) Percentage (%)	RT-CH-130a.1	See key metrics on page 59 We do not generate our own energy
Water management	(1) Total water withdrawn (2) Total water consumed (3) Percentage of each in regions with high or extremely high baseline water stress	Quantitative	Thousand cubic meters (m^3) Percentage (%)	RT-CH-140a.1	See water data on our website: https://zote.info/3mjufjS
	Number of incidents of non-compliance associated with water quality permits, standards and regulation	Quantitative	Number	RT-CH-140a.2	None
	Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion and analysis	n/a	RT-CH-140a.3	See water data table and TCFD disclosures on our website: https://zote.info/3mjufjS
Hazardous waste management	Amount of hazardous waste generated and percentage recycled	Quantitative	Metric tonnes (t) Percentage (%)	RT-CH-150a.1	See waste data table on our website: https://zote.info/3mjufjS
Product design for use-phase efficiency	Revenue from products designed for use-phase resource efficiency	Quantitative	Reporting currency	RT-CH-410a.1	See key targets section on page 60
Safety and environmental stewardship of chemicals	(1) Percentage of products that contain Globally Harmonized System of Classification and Labelling of Chemicals (GHS) and Category 1 and 2 Health and Environmental Hazardous Substances	Quantitative	Percentage (%) by revenue	RT-CH-410b.1	Less than 5% of revenue is generated from substances that are regulated[1] or are considered to be of international concern[2]. 100% of goods purchased and sold undergo hazard assessments. The hazardous substances, such as flame retardants and low levels of stabilisers, are non-hazardous in the finished products as they are bound into the polymer matrix
	(2) Percentage of such products that have undergone a hazard assessment		Percentage (%)		
	Discussion of strategy to (1) manage chemicals of concern and (2) develop alternatives with reduced human and/or environmental impact	Discussion and analysis	n/a	RT-CH-410b.2	See Our approach to environmental sustainability section on page 58
Genetically modified organisms (GMOs)	Percentage of products by revenue that contain GMOs	Discussion and analysis	Percentage (%)	RT-CH-410c.1	No products contain GMOs
Management of the legal and regulatory environment	Discussion of corporate position related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	Discussion and analysis	n/a	RT-CH-530a.1	Zotefoams follows all local regulations relating to health, safety and environment as well as social factors. We have a low risk appetite towards safety See pages 69 to 71
Production by reportable segment	n/a	Quantitative	Cubic meters (m^3) or metric tonnes (t)	RT-CH-000.A	7,076 tonnes of AZOTE® Polyolefin Foam and 2,660 tonnes of HPP were manufactured. There is a lag between manufacturing and sale

1 Substances of very high concern under REACH and the EU's Restriction of Hazardous Substances Directive or substances listed under California Prop 65.

2 Substances controlled by the Montreal Protocol, Stockholm and Rotterdam Conventions, GHS category 1 and category 2 health hazards.

Social

Zotefoams continues to focus on becoming a great place to work, while activating our new EXPANDING BEYOND THE CORE growth strategy.

> With new leadership and our new EXPANDING BEYOND THE CORE growth strategy, the Group Executive Team understands the need to provide clarity of purpose and alignment to our vision and values, while harnessing strength from our global diversity, continuous improvement and operational excellence.
>
> **Ronan Cox**
> Group CEO

Diversity, Equity, Inclusion and Belonging (DEIB)
As a global employer, Zotefoams is made up of different races, genders, ethnicities, backgrounds, religions and beliefs across the globe. Zotefoams is committed to providing equal opportunity, fair treatment and belonging as part of its attraction, onboarding, engagement and employee retention aims. Following Ronan Cox's arrival in April 2024, the Company's values were updated to provide cultural and behavioural clarity and cultivate a working environment where we unlock potential for all, while striving to become a global employer of choice. Zotefoams recognises the value and successes to be gained when our colleagues feel valued, appreciated and free to bring their full authentic selves to work.

THE COURAGE TO TAKE BOLD ACTION TO ENSURE THAT WE SUCCEED IN TACKLING OUR CHALLENGES

DEDICATED TO MAKING A SIGNIFICANT AND POSITIVE IMPACT IN EVERYTHING WE DO

CULTIVATE A RESPECTFUL AND INCLUSIVE ENVIRONMENT WHERE EVERYONE IS VALUED AND COLLABORATION IS ENCOURAGED

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT (CONT.)

Gender

- Female **30%**
- Male **70%**

Ethnicity

- Non-white ethnicity **41%**
- White ethnicity **59%**

Age profile

- Age 51 or above **28%**
- Age 50 or below **72%**

We recognise that gender diversity remains a challenge in our industry; we remain committed to improving gender balance.

To improve the candidate and employee experiences, while developing our own candidate database, we have procured an Applicant Tracking System (ATS). Through automation, this ATS will inject greater efficiencies, enhance collaboration and generate statistics that provide benchmarks for us to improve upon, as part of our Group diversity strategy.

The most recent graduate intake has a favourable gender split towards females – 83% female and 17% male. In Q4, the female graduates met with the Group Executive Team and gained support to raise Zotefoams' profile and Employee Value Proposition (EVP), while championing STEM opportunities with schoolchildren in local communities, showcasing their own passion for learning, their academic/workplace experiences and their career trajectories.

Zotefoams held several events across the calendar year in relation to addressing the gender balance. We have actively recognised International Women's Day for the past few years, centring on enhancing the female voice within Zotefoams and diversity of thought through female representation in management and leadership teams.

Colleagues embraced our newly launched values by participating in employee-led workshops across our global locations.

Director

Female **29%**
Male **71%**

Group Executive Team

Female **37.5%**
Male **62.5%**

Direct report to Group Executive Team

Female **20%**
Male **80%**

Role by gender

	2024						2023					
	Female	**%**	**Male**	**%**	**Prefer not to say**	**%**	Female	%	Male	%	Prefer not to say	%
Director	2	29.0	5	71.0	0	0	2	29.0	5	71.0	0	0
Board Fellow	1	100	0	0	0	0	0	0	0	0	0	0
Group Executive Team	3	37.5	5	62.5	0	0	1	17.0	5	83.0	0	0
Direct report to Group Executive Team	9	20.0	35	80.0	0	0	10	26.0	29	74.0	0	0
Other staff	163	31.0	368	69.0	0	0	130	26.0	367	74.0	0	0
Total	**177**	**30.0**	**413**	**70.0**	**0**	**0**	**143**	**26.0**	**406**	**74.0**	**0**	**0**
Number of senior positions (CEO, CFO, SID or Chair)	1	–	3	–	0	–	1	–	3	–	0	–

The gender split remains the same as 2023 for our Director population.

We recognise that gender diversity remains a challenge in our industry and remain committed to improving gender balance.

In line with our aspiration to increase female joiners, we aim to create gender-neutral tones in advertising vacancies and, where possible, provide diverse interview panels.

2025 will see us appoint internal employee engagement champions and colleagues to develop Employee Resource Groups (ERGs), further embracing colleagues' race, ethnicity, veteran status, gender, age, religion, identity, sexuality, disability, genetic disposition, neurodiversity, perspective or experience or any other aspect that makes an individual unique.

Following an organisational redesign in 2024, our Group Executive Team's female representation increased during the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT (CONT.)

Ethnicity distribution of Group workforce*

	Director	UK	USA	China	Poland	India	Other	Group-wide
White ethnicity	7	203	78	0	61	0	0	**349**
Non-white ethnicity	0	139	62	30	0	7	3	**241**
Total	**7**	**342**	**140**	**30**	**61**	**7**	**3**	**590**
Non-white ethnicity	**0%**	**41%**	**44%**	**100%**	**0%**	**100%**	**100%**	**41%**

* This data depicts ethnicity make-up across the Group, noting that there are legislative differences across the globe. Our Board Fellow, who is of non-white ethnicity, has been excluded from the data as she is not an employee.

The Board and Group Executive Team (GET) are committed, as part of the cultural transformation, to invest in further learning and focus to collectively harness our full diversity, inclusion, equity and belonging potential across the globe.

Group policies and internal controls are in place, and are monitored by the Board, on health and safety, modern slavery, ethics, anti-bribery and corruption, anti-fraud, whistleblowing and dignity at work; visit https://zote.info/3x0de78 for further information. The Group has in place a contact mechanism for stakeholders to reach out to the business on issues of concern. Biennial compliance training programmes, in local languages if needed, are delivered globally to relevant staff on modern slavery, anti-bribery and corruption, anti-fraud, anti-money laundering, insider trading and data protection. In 2024, we delivered compliance and health and safety training to 428 employees.

Employee wellbeing

Zotefoams promotes hybrid working, to enable attraction, retention and engagement, and to provide employees with a greater work/life balance.

Following investment in new Group roles in HR and Internal and External Communications, greater focus will be placed on promoting offerings and routinely analysing benefits usage against market trends, to ensure our platform of benefits is market-competitive.

We have 17 qualified Mental Health First Aiders within Zotefoams. 2025 will see us seek Group-wide representation, aligned to our global communications, wellbeing and development calendar of activities.

Recognising in-country differences, we have a mix of annual health examinations and employee assistance programmes (EAPs). EAPs offer health advice via a 24/7 call line, including bereavement assistance, counselling, and legal and financial support. Emphasis on early intervention is placed on employee wellness plans, aiding the process of returning to work and mitigating the potential for long-term absence.

Our colleagues in Poland made significant strides during the year in promoting employee wellbeing, with a particular focus on mental health. During Mental Health Week, a range of activities were arranged, designed to support teams' emotional and mental wellness. Employees participated in daily sessions such as the 'Mindfulness Journal', which included breathing exercises, muscle relaxation, and meditation techniques to help reduce stress and foster mindfulness.

A stress management session was hosted, equipping employees with practical tools for managing daily pressures. To cultivate gratitude and positivity, a Gratitude Box was introduced. Employees anonymously shared what they were thankful for, promoting a culture of appreciation and mental clarity. These initiatives were well received and contribute to a supportive working environment.

Our colleagues in China hosted a team-building event in a mountain village, with 19 participants from Production, Sales, Finance and HR. The day included activities such as singing, chess, games and hiking, providing an opportunity for team members, including five new staff members, to bond and communicate across departments. This event helped foster stronger relationships and improved collaboration.

Further details about our approach to health and safety are provided on pages 69 to 71.

Colleagues from our China team enjoying a memorable team-building trip.

Communication and engagement

Communication

Across the Group, leadership teams engage with employees through a variety of channels.

The GET regularly holds townhalls to brief employees on Zotefoams' progress. We combine this with regular business updates and encourage employee engagement through live question-and-answer sessions.

The GET cascades monthly outputs to the Senior Managers Team. Areas of focus include introductions to new joiners, strategic focus, the exploration of new opportunities and revisions to internal processes.

Colleagues are encouraged to actively participate in localised and global updates. Updates are recorded, translated and where feasible, shared on media screens to ensure that everyone is included.

Management meetings across the Group, in various forms, take place regularly and include a review of employee feedback to help foster an open dialogue between management and employees. These meetings also provide a platform to discuss employee engagement, allowing us to identify areas for improvement and take timely action to enhance team morale and performance. Some sites replicate the Group townhall format, localising the approach, communicating updates and initiatives and enabling transparency and alignment. The combination of feedback, engagement and open communication provides teams with the support and clarity needed to achieve their best work.

Our Production employees join daily briefings which provide them with the opportunity to engage with their colleagues and leaders on key topics including health and safety, business and site-specific updates, a review of the previous days' performance and plans for the upcoming shift.

Employee engagement

A range of employee pulse surveys were undertaken in 2024 to drive engagement bottom-up in our journey to become a global employer of choice. Since the appointment of Ronan Cox, our new Group CEO, in May 2024, the decision has been taken to conduct an extensive review of the global foam market, with the support of a third-party provider. This will provide areas to focus on and create Group and country-aligned action plans to enhance employee engagement opportunities under the strapline 'you said, we did'. We are all responsible for making Zotefoams a great place to work.

Performance management

The GET is passionate about creating high-performing teams. In 2024, we engaged UKG, a software provider on a mission to inspire every organisation to become a great place to work through Human Capital Management technology. Investing in a new Global HR Information System (HRIS) (see our Audit Committee report on page 78) will, among other improvements, enable standardisation of the global performance cycle in Zotefoams.

In Q1 2025, we have refined our approach to performance management and development. Our aim is to achieve a global approach, while recognising cultural and legislative differences and providing employees and managers with user-friendly guidance notes, workshops and videos crafted to support new people managers and employees. The process embeds calibration, an essential tool to reduce bias, rewards the right behaviours by aligning them with the Company's values, and helps us identify tomorrow's high performers, all of which will allow us to build tomorrow's organisation.

Remuneration and benefits

The Group's approach to reward aims to align financial incentives with Zotefoams' purpose and values in order to optimise performance. The Company compensates employees in line with market rates and considers regulatory guidance, which includes paying employees at or above the rates published by the Living Wage Foundation in the UK and liveable wages in the USA. In Poland, India and China, the rate of pay for Zotefoams employees is above the minimum wage applicable locally. Bonus arrangements vary from location to location.

Reflecting inflationary pressures, UK staff received a salary increase of 5% in 2024. Similar measures were implemented in the USA and Poland to ensure that salaries remained aligned with the market. The trade union is consulted on all UK employee remuneration matters and was supportive of the measures taken.

89% of Zotefoams' employees are enrolled in a pension scheme in the UK, an encouraging figure which compares favourably with a UK average of 79%.[1] Effective 1 April 2024, Zotefoams increased the employer pension contribution on the two direct contribution pension schemes currently run by the Company by 1% for those meeting the maximum employee contribution. In other locations, all employees are enrolled in government-backed pension schemes in line with legislation.

Zotefoams' remuneration and benefits are in line with country norms.

1 Office for National Statistics, employee workplace pensions in the UK bulletin, April 2022.

Talent development

Savannah Poynter joined Zotefoams in 2011 in a temporary capacity, moving swiftly into the Finance team in September 2014 and later becoming a highly valued finance support to the Zotefoams Midwest (Tulsa) team. In March 2022, Savannah joined the HR team and took, and passed, her PHR certification (Professional Human Resources certification). A further promotion followed in 2024 and she is now an HR Generalist, owning payroll and benefit administration. Savannah is described as a "quick study and a gem to work with! Someone who can always be counted on to deliver". Her qualifications include a BA in Education from the University of Kentucky and a JD from Florida Coastal School of Law.

Dyllan Messmer joined Zotefoams in 2018 as a High-Pressure Vessel & Talc Utility Operator. Several promotions later, Dyllan is now a Production Manager, proven in manufacturing operations, accredited with a Leadership Training Programme certification and with several computer and software qualifications, which have extended his knowledge and data reporting capabilities. His next challenge for 2025 is obtaining a Six Sigma Certification.

Marek Kanaś joined Zotefoams Poland in 2021 as a Production Operator. Driven by a deep passion for working with and improving machinery naturally led him to pursue a transition to the Maintenance Department. In 2022, he seized an opportunity to be promoted to Maintenance Technician. Through dedication and a strong desire to grow, Marek has quickly become an integral part of the team, also gaining a forklift certification. His excellent communication skills and positive attitude towards task execution have earned him great respect within the team, supporting smooth collaboration and high performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT (CONT.)

Dan Meyer was promoted from the Graduate Scheme into the position of Business Development Manager for our Footwear division nearly two years ago. In the time that has followed, he has more than grown into the position. Not only has he had the opportunity to deploy his technical knowledge, but he has developed and exhibited impressive commercial and communication skills, working with large customer accounts across different disciplines, nationalities and cultures. He has led project teams and earned the respect of experienced employees. In this role, he has travelled across East Asia, USA and Europe and has shown the confidence to work independently as well as the common sense to know when to ask for assistance and guidance from others.

Will Brown joined Zotefoams plc as a Graduate Engineer in 2019 and in September 2021, he became a Senior Customer Service Representative. In 2022, Will was promoted to Customer Service team leader and promoted once again in 2023 to Customer Service Manager. Will continues to add exceptional value to the team.

Developing our talent

Zotefoams aims to attract, engage, develop and retain talent. Personal Development Plans enable us to identify, source and facilitate learning and development opportunities, supported where possible by government funding, including use of the Apprenticeship Levy.

During the year, our people participated in numerous learning experiences, including, but not limited to: Leadership Team Building Training, Lead Auditor Training for the Quality Assurance Coordinator, 6-week Supervisor Series: Leading a Team and Effective Management for Shift Supervisors, Interpersonal and Communication Training for the Maintenance team, Customer Service and Communications Training for the Customer Service team, Mini-Tab training for the Quality team and Drug and Alcohol Training for Leadership.

In the UK, our Production colleagues also undertook training in a variety of areas, including Six Sigma Green and Yellow belt training, Cloud Architect Master's Programme, NEBOSH, Mental Health First Aid and in-house workshops, wellbeing and the Company's values.

c.720

hours of on-the-job training and assessment – Operator Cross Training

1,135

hours of E-learning

12

Our Finance colleagues in China embarked on a 12-month programme to improve their English, where learning was blended with videos and online tutorials with English-speaking tutors

Early careers

Zotefoams first invested via a structured format in fostering early careers back in September 2007. We are proud to have colleagues from the very first intake still with us.

Our Graduate Scheme plays a pivotal role in enhancing succession and capacity planning through generating a pipeline of emerging talent which, through internal departmental rotations, provides an understanding of our business. These foundations enable graduates to drive their personal development and career pathways. We are proud of our Scheme's track record and remain passionate about continuously developing it based on each cohort's feedback.

Work experience and internship opportunities are available and will be formalised following the appointment of a Group Learning and Development Manager in 2025.

Communities and social review

Presently, we have a localised approach to giving something back to the communities in which we work and live. In 2025, we will take this further by working with employee engagement champions, to help us adopt a Group approach that will make a greater impact while retaining the positive differences we make locally.

Throughout 2024, Zotefoams employees participated in a range of activities, including the following:

- in December, colleagues selected gift tags from our Festive Giving Tree, with each gift tag representing the wish of a child in a local refuge. These gifts were then collected and presented to the children
- a Fall (Autumn) Food Drive involved the contribution and donation of food items for local food banks, where colleagues also donated toys to local children's homes and the Foster and Adoptive Parent Association of Northern Kentucky
- Zotefoams proudly sponsored employees, aiding them to take part in a meaningful netball tournament in support of The Lily Foundation. The event was a great success, with the team securing third place in the mixed netball league!
- Zotefoams donated 20 laptops to a school in Malawi, Africa, to support student learning.

> Health and safety is, and always will be, our number one priority. Our goal is to ensure that each and every one of our employees goes home at night as happy and healthy as they left in the morning.

Ronan Cox
Group CEO – Health and Safety Awards 2024

Health and Safety Days bring colleagues together to recognise and celebrate our strong safety culture.

Board-level accountability

Cultivating a strong safety culture positively influences both risk management and overall performance. Our approach places health and safety at the forefront, supported by robust leadership and employee training to equip teams with the tools to continuously enhance workplace safety. The Company holds ISO 45001:2018 certification for Health and Safety, maintained through a rigorous recertification process that includes two surveillance audits annually. The Board, which has ultimate responsibility for health and safety policy and performance, has set a low risk appetite for health and safety matters, and reviews quarterly reports on Group health and safety issues. Annual performance objectives are agreed by the Board and performance against these is monitored as part of its quarterly reporting programme. RIDDORs (reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013) are recorded immediately and are subject to a thorough root cause analysis reviewed by the Board, with appropriate follow-up actions agreed with management, both in the UK and in our overseas locations. Additionally, the Board has performed a detailed review of performance, targets, metrics and approach in health, safety and environmental matters through monthly updates.

The Group CEO is directly responsible to the Board for health and safety performance. All health and safety matters are overseen by steering committees, chaired by the Group CEO (or appropriate senior person in subsidiary companies). The steering committees meet quarterly and consider overall performance and the impact of current and impending legislation. From 2025, a Group Health and Safety Leadership Committee will be responsible for ensuring that high standards of health and safety are consistently applied across the Group.

Training and performance

Employees are encouraged to take personal responsibility for their own safety and that of their colleagues. All staff receive role-specific health and safety training on joining the business, with regular refresher sessions provided thereafter. Employees are required to report any unsafe or potentially unsafe acts, conditions or incidents (including near misses), as well as any damage to equipment, even if no personal injury occurs. All reported incidents are thoroughly investigated by the relevant management to identify root causes, and, wherever possible, improvements are made to working practices and procedures to reduce the risk of recurrence. In 2024, there were no prosecutions, fines or enforcement actions resulting from non-compliance with health and safety legislation (2023: none).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT (CONT.)

Controlled substances and high-pressure gas

Few controlled substances are used in the manufacture of our foams, but where they are, the Group has established procedures in which the relevant employees are trained to ensure safe storage and handling of such substances, in accordance with regulatory requirements. The manufacturing process involves manual handling and processing of materials; therefore, when new or altered equipment or materials are introduced, and at regular periods thereafter, the risks to the processes are assessed and improvements made wherever possible, such as to the design of the equipment, to reduce or eliminate the risks identified.

The most strictly controlled parts of the Group's sites are where high-pressure gas is used. The high-pressure autoclaves are subject to the Pressure Systems Safety Regulations 2000 in the UK, OSHA (Occupational Safety and Health Administration) in the USA and the Journal of Laws of the Republic of Poland, Dz. U. 2022 poz. 68. Tightly defined procedures and operational controls are in place to manage the safety of these pressure systems. Fail-safe mechanisms, known as pressure relief valves and bursting discs (which act like fuses in an electrical system), are included in the design of the pressure systems which, when triggered, allow the safe depressurisation of sections of the system and prevent any further risks. Operation of these fail-safe mechanisms releases harmless nitrogen gas into the atmosphere.

Health and safety performance

The primary metric used to monitor the number of reportable injuries for the Group is RIDDOR. The Group also uses metrics devised by the United States Department of Labor to measure staff absence resulting from workplace incidents and accidents. This allows a comparison with a large, relevant peer group and also provides an established methodology against which we can benchmark our performance annually. In 2024, a good performance continued on DAFW (Days Away From Work) and DART (Days Away Restricted or Transferred) relative to the latest benchmark data for Rubber and Plastics Processors. RIDDOR, DAFW and DART are our primary metrics. Other metrics are provided below to meet SASB chemical industry requirements.

In 2024, four RIDDOR incidents occurred across the Group (2023: one). The adverse performance was driven by an increased number of unusual or infrequent tasks in locations where activity had started or increased during the year, reflecting a lack of safety culture maturity in these areas. To support the development of continuous safety practices, dynamic risk assessments have been deployed and an enhanced safety day programme is in place. The SASB Total Recordable Incident Rate (TRIR) metrics provided below evidence that process safety remains good across all sites.

Regular safety days provide hands-on fire safety training for colleagues across the business.

While all Zotefoams locations fully comply with local legal requirements, a continuous improvement programme is in place, aimed at elevating locations currently meeting a "good" or "adequate" standard to "superior" or "good" respectively. We use leading indicators, a forward-looking metric, to help identify new potential risks and allow for timely intervention. 11,300 Group-wide safety engagements were completed in 2024 (2023: 9,202), demonstrating a focused and proactive approach to safety performance.

Focus on health

Employee wellbeing goes beyond physical health; Zotefoams aims to empower staff to manage their emotional, social, financial and career wellness so that they can continue to thrive in the work environment. Further details may be found in our Social section on pages 63 to 68.

Health and safety days 2024

Our health and safety engagement strategy centres around encouraging proactive ownership of safety issues at the individual level. We use our safety days to unite staff behind a common objective: keeping everyone safe, at all times. For the past few years, our suppliers have supported a bi-annual interactive event in the UK, culminating this year in annual safety awards in best safety breakthrough ideas, safety coach and team player, contractor management and recycling environmental categories. The 2024 topics included a discussion on the meaning and impact of a good safety culture, mental health, physical health, fire safety and manual handling, with a central safety zone offering a range of activities, such as the hazard spotting competition and the creation of a safety pledge. Poland also held a highly successful safety day in September, where staff focused on hazard identification and trainings sessions were held on improving forklift truck safety. This was followed by a mental health week in November including workshops on mindfulness, healthy eating and stress management. In the USA, health fairs covering a variety of topics such as nutrition, blood pressure, heart health and diabetes were held in both Walton and Tulsa.

	2024	2023	2022	Industry (latest published figures)
RIDDOR	**4**	1	2	n/a
DAFW	**1.0**	0.7	0.5	1.2
DART	**1.3**	0.9	0.5	2.3

	2024	2023	2022
Total Recordable Incident Rate (TRIR)			
Direct employees	**2.0**	1.0	3.1
Contract employees	**0.0**	0.0	0.0
Process Safety Incidents Count[1]	**2.0**	2.0	4.0
Process Safety Incident Rate[1]	**0.3**	0.3	0.7
Process Safety Incident Severity Rate[1]	**1.0**	1.0	1.5
Number of transport incidents[1]	**0.0**	0.0	0.0
Fatality rate			
Direct employees	**0.0**	0.0	0.0
Contract employees	**0.0**	0.0	0.0

1 Tier 1 level incidents.

Sustainability Accounting Standards Board (SASB) disclosures

Topic	Accounting metric	Category	Unit of measure	Code	Supporting disclosure
Workforce health and safety	(1) Total recordable incident rate (TRIR) (2) Fatality rate for: (a) direct employees and (b) contract employees	Quantitative	Rate	RT-CH-320a.1	**See Health and safety performance table on pages 69 to 71**
	Description of efforts to assess, monitor and reduce exposure of employees and contract workers to long-term (chronic) health risks	Discussion and analysis	n/a	RT-CH-320a.2	**We assess all hazards within all roles and have a health surveillance programme based on higher-risk hazards. We continuously work to eliminate or mitigate all risks that could lead to long-term health risk**
Operational safety, emergency preparedness and response	Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR) and Process Safety Incident Severity Rate (PSISR)	Quantitative	Number, rate	RT-CH-540a.1	**See Health and safety performance table on page 71**
	Number of transport incidents	Quantitative	Number	RT-CH-540a.2	**Zotefoams had no reportable transport incidents**

BOARD OF DIRECTORS
DIVERSE SKILLS TO BUILD STRENGTH

● Chair of Committee

A Member of the Audit Committee

R Member of the Remuneration Committee

N Member of the Nomination Committee

Ronan Cox
Group CEO

Appointed
April 2024 (Group CEO Designate) and May 2024 (Group CEO)

Skills
Extensive international leadership expertise with a strong focus on driving disciplined, sustainable transformation and growth within the industrial sector. Proven track record in leading M&A programmes, implementing impactful sustainability initiatives, and advancing innovation to deliver market-leading solutions.

Experience
During his nearly three-decade tenure at Coats Group plc, the FTSE 250 global leader in industrial thread and footwear components manufacturing, Ronan held several pivotal leadership positions. These included Managing Director of Coats North Africa, Chief Transformation Officer, and Regional CEO roles for both EMEA & Americas and South East Asia regions. As head of Coats Group's Performance Materials division, Ronan spearheaded the company's innovation initiatives, with a particular focus on sustainable and circular product solutions. He successfully led cross-functional teams in integrating cutting-edge technologies and implementing environmentally conscious strategies, aligning with emerging market demands. Under his leadership, the division executed strategic M&A activities that significantly expanded the company's market presence and technological capabilities. He has a Bachelor's Degree in Information Management and Economics from Queen's University, Belfast and has completed an International Executive Business Programme with INSEAD in France and Singapore.

External appointments
None

Douglas Robertson
Senior Independent Director
A N R

Appointed
August 2017

Skills
Extensive multinational experience in both public and private companies, strategic planning, acquisitions and divestments.

Experience
Doug is a Chartered Accountant and was Group Finance Director of SIG plc until his retirement in January 2017. Prior to joining SIG, Doug had been Group Finance Director of Umeco plc and Seton House Group Limited, having spent his early career with Williams plc in a variety of senior financial and business roles.

External appointments
Non-Executive Director, Chair of the Audit Committee, member of the Remuneration and Nomination Committee, Mpac plc.

Lynn Drummond
Non-Executive Chair
N R

Appointed
January 2023

Skills
Experienced Chair and Non-Executive Director, with significant expertise in banking and the healthcare sector.

Experience
Lynn has had a distinguished career in the pharmaceutical and life sciences sectors. She spent 16 years as a Managing Director within Investment Banking for Rothschild & Co. Prior to Rothschild & Co, Lynn worked in the Cabinet Office in London as Private Secretary to the Chief Scientific Advisor. She has held additional Non-Executive Directorships at Venture Life Group plc, RPC Group plc, Infirst Healthcare, Shield Holdings AG, Allocate Software plc, Consort Medical plc and Alimentary Health Ireland. Lynn has recently completed her six-year tenure as Chair of the Board of Governors at the University of Hertfordshire. She has also been Chair of Trustees for Breast Cancer Haven, and was on the University of Cambridge, Centre for Science and Policy Development Group. Lynn holds a Bachelor of Science Degree in Chemistry from the University of Glasgow and a PhD in Biochemistry from the University of London. She is a Fellow of the Royal Society of Chemistry, and a Fellow of the Royal Society of Edinburgh.

External appointments
Non-Executive Director of Stevenage Bioscience Catalyst. Non-Executive Director of Puma AIM VCT plc. Board mentor for Criticaleye.

Malcolm Swift
Non-Executive Director
A N R

Appointed
September 2023

Skills
Experienced Non-Executive Director with significant expertise in global consumer and B2B markets and international joint venture boards.

Experience
Malcolm brings a global business perspective acquired over a 30-year career. He was an Executive Committee member of McCormick & Co Inc, where his executive positions included President, Global Flavour Solutions, and Chief Administration Officer. From 2017 to 2023, he was a Non-Executive Director and, from 2019, Chair of the Remuneration Committee of Devro plc, and prior to this a Non-Executive Director of Stolt Sea Farm Holdings plc.

External appointments
Non-Executive Director of NovaTaste Group, Board adviser to Nactarome S.p.a., Chair of Governors at Caldicott School, Buckinghamshire.

Gary McGrath
Group CFO

Appointed
December 2015 (Executive Director) and February 2016 (Group CFO). As recently announced, Gary will retire from his role during 2025.

Skills
Diverse international experience across a range of manufacturing businesses. He has a track record of building world-class finance organisations and delivering commercial finance support and effective control environments to achieve board strategies.

Experience
Gary is a Chartered Accountant, qualifying with Arthur Andersen.

He spent eleven years with RMC Group plc before joining Koch Industries Inc, where he spent several years in various positions, including Global Finance Director of INVISTA Apparel and EMEA Vice President of Finance, Planning and Analysis at Georgia Pacific. Before joining Zotefoams, Gary was CFO of GC Aesthetics Limited. He has worked across public, private and private equity environments in the UK, Belgium, Germany, the USA and the Republic of Ireland.

External appointments
None

Catherine Wall
Non-Executive Director
A N R

Appointed
May 2020

Skills
Skilled independent Chair and Non-Executive Director for private equity owned, quoted and family companies. Sectors: industrials, business services, consumer.

Experience
Catherine has 30 years' experience in the private equity industry, primarily with Equistone Partners Europe, where she led numerous management buy-outs and later became UK Portfolio Partner supervising the management of all the business's UK investments. Catherine also has extensive industrial markets and Non-Executive Director experience, working with and helping develop many management teams to deliver ambitious growth plans.

External appointments
Trustee of the City of Birmingham Symphony Orchestra.

Jonathan Carling
Non-Executive Director
A N R

Appointed
January 2018

Skills
Extensive engineering, manufacturing, operational and business experience at board level, having led the development and production of a number of luxury cars and aero engines.

Experience
Jonathan was previously the CEO of Tokamak Energy Limited, a technology business developing a faster route to fusion power, COO for Civil Large Engines at Rolls-Royce plc, COO at Aston Martin Lagonda Limited, and Chief Engineer with Jaguar Land Rover Limited. Jonathan has extensive engineering, operational and business experience. He was also a Non-Executive Director of Aga Rangemaster Group plc between 2011 and 2015. He is a Fellow of the Royal Academy of Engineering.

External appointments
None

CORPORATE GOVERNANCE
COMMITTED TO THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE

Dear Shareholder
The Board recognises that being a well-managed business is important to our shareholders and stakeholders. Sound governance principles must permeate the entire organisation, providing a fundamental underpin to the process of value creation, value protection and value preservation. Governance drives the quality of decision-making that will help Zotefoams achieve its strategic objectives more efficiently and effectively and support long-term sustainable growth.

Throughout the year, the Board has remained committed to its purpose of providing optimal material solutions for the benefit of society. Led by a new Group CEO, the Group's strategy was under review during the year and has been refreshed, with a restructured leadership team beginning to implement it from 2025. For further details, see our Group CEO's review on pages 23 to 29.

The Board has a detailed programme of activities ensuring that operational and financial performance, risk, governance, strategy, culture and stakeholder matters are discussed frequently and supporting Directors' oversight and understanding. This ensures that the Board's discussions and decisions are appropriate for the business, our stakeholders and the markets in which we operate.

Strategy sessions, at which members of the Group Executive Team (GET) present on each of our global business areas, as well as participate in broader longer-term considerations impacting the Group, are held annually. This is in addition to business unit reviews which are led by the relevant GET member. The aim is to better understand market trends, technology development, our place in the lower-carbon economy and people strategies. The culture, diversity and inclusion supporting the long-term planning and strategic direction of the Group are also explored during these sessions.

Key areas covered by the Board in 2024 included:

- our new Group CEO's plans
- overseeing the implementation of a new Group Executive Team structure
- entering into a global alliance with Suzhou Shincell New Materials Co., Ltd ("Shincell") of Suzhou, China in relation to technology licensing, market cooperation and product development
- pausing Zotefoams' investment in ReZorce® Circular Packaging and focusing all of the Group's resources on the near-term opportunities in the core supercritical fluid foams businesses.

Further details may be found in our S172(1) statement on pages 53 to 55 and in our Strategic Report on pages 1 to 71.

I am pleased to present the report on corporate governance on behalf of the Board.

Our governance framework
Governance
The business is managed in line with our risk management framework on page 40. The Company complies with the requirements of the UK Corporate Governance Code and has due regard to best practice in governance matters.

Accreditations
The Company is certified to ISO 14001:2015 (Environmental Management), ISO 45001:2018 (Occupational Health and Safety), ISO 9001:2015 (Quality Management), and ISO 27001:2022 (Information Security Management).

We follow ISO 14021:2016 when making environmental claims and have taken steps to gain independent accreditation for these. Further details are provided in our Environment section on pages 58 to 62. The Cyber Essentials Plus certification, an in-depth and thorough independent assessment of our IT systems, was re-awarded in 2024 and we gained certification for the first time to ISO 27001 (Information Security Management Systems).

Policies
The Company has in place a wide range of ethical and control policies. Further details are provided in our Social section on pages 63 to 71 and our Environment section on pages 58 to 62.

Statement of compliance with the 2018 UK Corporate Governance Code
Throughout the financial year ended 31 December 2024, the Board has considered the contents and requirements of the Code and confirms that the Group has been compliant with the provisions of the Code.

The Code can be downloaded here
https://bit.ly/2AKGqTm

Further details are provided in this report, the Board Committee reports and the Directors' report that follow on pages 77 to 100.

The disclosures required by Disclosure and Transparency Rules DTR 7.2.6R have been provided in the Directors' report.

The Board is familiar with the changes following the publication of the UK Corporate Governance Code 2024 (2024 Code) and intends to be compliant with all new relevant provisions in the timeframes dictated in the 2024 Code. The Board will carry out an assessment during 2025 of any changes required in reporting requirements.

Roles and responsibilities
The Board's role is to provide entrepreneurial leadership of the Group within a framework of prudent and effective controls that enable risk to be assessed and managed. The Board sets the strategic aims of the Group, ensures that the necessary resources are in place to achieve the Group's objectives and reviews management performance. The Board acts as the representative of the shareholders and other stakeholders and focuses on the governance of the Group. Management is delegated to the Executive Directors and GET.

As part of their role as members of a unitary Board, the Non-Executive Directors constructively challenge and develop proposals on strategy. The Non-Executive Directors scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. They are responsible for determining appropriate levels of remuneration for the Executive Directors and have a prime role in appointing and, where necessary, removing Executive Directors and in succession planning.

Three principal Committees report into the Board, functioning within defined Terms of Reference. These are the Audit, Remuneration and Nomination Committees. The Terms of Reference for these Committees are available on the Group's website:
https://zote.info/3ESyJZy

The Board has put in place a schedule of matters that are reserved for its determination or which need to be reported to the Board. This schedule is reviewed regularly and was last updated in December 2024.

The Chair is responsible for the leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda. The Chair is also responsible for ensuring that the Directors receive accurate, timely and clear information. The Chair facilitates the effective contribution of the Non-Executive Directors and ensures constructive engagement between Executive and Non-Executive Directors.

The Board considers that L Drummond has sufficient time to devote to her role as Chair of the Company. L Drummond is currently a Non-Executive Director of Stevenage Bioscience Catalyst.

The Group CEO is responsible for the running of the Group's business. He is supported by the Group CFO and the GET.

Composition and diversity

The Board and its Committees acknowledge the benefits of diversity, including that of gender and ethnicity, and are committed to setting an appropriate "tone from the top" in such matters. Further details about the Board's approach to diversity may be found in our Nomination Committee report on pages 81 to 83.

The structure, diversity and composition of the Board remain under review to ensure that we have the appropriate mix of skills and experience to best serve a dynamic, growing international company.

As at 31 December 2024, the Board comprised two Executive Directors, four independent Non-Executive Directors and the independent Non-Executive Chair. L Drummond was appointed to the Board on 17 January 2023 as Non-Executive Director and Chair Designate and became Chair on 24 May 2023. D Robertson was appointed Senior Independent Director at the AGM held on 16 May 2018. The Board considers D Robertson to be independent.

L Drummond is also Chair of the Nomination Committee and a member of the Remuneration Committee. Only the respective Committee Chairs and members are entitled to be present at meetings of the Remuneration, Audit and Nomination Committees, but others may attend at the invitation of the Committee Chair. During the year, the Chair met with the Non-Executive Directors regularly without the Executive Directors present and the Non-Executive Directors met without the Chair present to carry out a review of the Chair's performance, in line with the principles of the Code.

The Directors' tenures are as follows:

Director	Tenure at 31 December 2024
J Carling	7 years and 0 months
R Cox	0 years 7 months
L Drummond	2 years and 0 months
G McGrath	9 years and 1 month
D Robertson	7 years and 4 months
M Swift	1 year and 3 months
C Wall	4 years and 7 months

D Stirling, who served on the Board as Executive Director for 26 years and 9 months, resigned on 22 May 2024.

Evaluation and development

A formal review of the performance of the Board and its Committees is carried out each year. The review of the Chair's performance is led by the Senior Independent Director, together with the other Non-Executive Directors in consultation with the Executive Directors. The other Non-Executive Directors' performance is evaluated by the Chair in consultation with the Executive Directors. The GET's performance is evaluated by the Remuneration Committee in conjunction with the Group CEO (except in the case of the Group CEO, when the Group CEO is not present).

Having considered the merits of retaining the services of an external facilitator, the Board concluded that, given the Group's size, the Board's needs and recent Board changes, more benefit would be derived from carrying out a fully facilitated Board evaluation at a later date.

Further details of the 2024 Board evaluation may be found in our Nomination Committee report on pages 81 to 83.

The review confirmed that the Board and its Committees remained effective and continued to fulfil their remit, that the matters reserved for the Board were up to date and that appropriate Committees' Terms of Reference were in place. All Directors contributed effectively and provided appropriate commitment to their role.

The Board considers that it is functioning well and that its current composition contains an appropriate balance and diversity of views, qualifications, skills, experience and personal attributes necessary to carry out its duties and responsibilities.

Each month, all Directors receive management reports and briefing papers in relation to Board matters in a timely manner to ensure that they have due time to consider the information and act accordingly. New appointments to the Board receive an induction and, where appropriate, training. The Directors have access to the Company Secretary and independent professional advisers, at the Group's expense, if required for the furtherance of their duties.

The Directors also undertake continuing professional development activities through the year to support development areas identified through the Board evaluation process as well as to keep themselves up to date with evolving rules, regulations and guidance.

The Directors' attendance at meetings of the Board and Committees is as follows:

	Board meetings		Audit Committee meetings		Remuneration Committee meetings		Nomination Committee meetings	
Attendance at meeting	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
J Carling	13	13	4	4	4	4	6	6
R Cox[1]	7	7	–	–	–	–	–	–
L Drummond	13	13	–	–	4	4	6	6
G McGrath	13	13	–	–	–	–	–	–
D Robertson	13	13	4	4	4	4	6	6
D Stirling[2]	6	6	–	–	–	–	–	–
M Swift	4	4	4	4	4	4	6	6
C Wall	13	13	4	4	4	4	6	6

1 R Cox joined the Board on 22 May 2024.

2 D Stirling, who joined the Board in September 1997, resigned on 22 May 2024.

CORPORATE GOVERNANCE (CONT.)

Relations with shareholders

Our communication strategy with shareholders is guided by the principle of effective and transparent engagement. To ensure that the Board, particularly the Non-Executive Directors, understand the views of the shareholders, the Group's corporate brokers provide summary feedback from the investor meetings, in particular from the meetings held following the interim and preliminary results announcements. Meetings between the Executive Directors and institutional shareholders are usually held twice a year following the announcement of the Group's interim and preliminary results, in August and March respectively. Other meetings are held at institutional shareholders' request. In 2024, these meetings continued to be held, with a mix of in-person and virtually. The Board also recognises the importance of engaging with individual shareholders, and the Executive Directors continue to hold presentations through the Investor Meet Company digital platform at least twice per year. The platform provides individual investors with the same opportunity for two-way engagement as institutional investors through live, interactive presentations as part of the investor roadshows. The Chair and the Senior Independent Director, as well as the other Non-Executive Directors, are available to meet institutional shareholders if requested. In 2024, our Chair, L Drummond and our new Group CEO, R Cox, met with key institutional shareholders following R Cox's appointment. The Company also continued to keep shareholders abreast of developments within the business through Regulatory News Services announcements, including joining RECOUP, the UK's leading independent authority and trusted voice on plastics resource efficiency and recycling, an exclusivity agreement with personal protection experts Design Blue Limited, a Global Alliance Agreement with Suzhou Shincell New Materials Co., Ltd of Suzhou, China and the decision to pause its investment in ReZorce® Circular Packaging and focus all of the Group's resources on the near-term opportunities in the core supercritical fluid foams businesses.

The Annual Report, the AGM, the corporate website www.zotefoams.com and social media channels also support communication with investors. The Chairs of the Board Committees will normally be available at the AGM to answer questions.

Internal control

Internal controls framework

In compliance with the UK Corporate Governance Code, the Board monitors the Group's risk management and internal control systems and, at least annually, reviews their effectiveness. The Board's monitoring covers all controls, including financial, operational and compliance controls. Bi-annually, the effectiveness and the outputs of the risk management framework, as documented on pages 40 and 41 of the Risk management and principal risks section of this Annual Report, are reviewed. This is based principally on reviewing reports from management and the Internal Controls Committee to consider whether significant and emerging risks are identified, evaluated, managed and controlled, and whether any significant weaknesses are promptly remedied. The Board, via the Audit Committee, also sets a rolling three-year, risk-based, internal audit plan and reviews the actions and closure of report findings. Annually, the Board receives a report from management on the key financial policies, processes and controls in place for the purpose of preparing the consolidated financial statements and reviews their effectiveness.

The Audit Committee assists the Board in discharging its review responsibilities.

During the course of its review of the internal control framework and the principal risks facing the Group, the Board did not identify, nor was it advised of, any failings or weaknesses it determined to be significant. Therefore, a confirmation in respect of necessary actions has not been considered appropriate.

Key elements of the Group's internal controls framework are listed below.

Control environment

The Group has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Group objectives. Overall business objectives are set by the Board and communicated through the organisation. Lines of responsibility and delegations of authority are clearly documented. The Group's ERP IT system is fit for purpose, well maintained and used whenever possible to automate controls, including the effective application of segregation of duties.

Control procedures

The Group has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties, financial authority levels and reviews by management, the Internal Auditor and the External Auditor. The effectiveness of these control procedures is tested by the Group's Internal Controls Committee (which is chaired by the Group CEO), the Audit Committee and the Board.

A process of control self-assessment and hierarchical reporting has been established, which provides for a documented and auditable trail of accountability. These procedures are relevant across the Group and provide for successive assurances to be given at increasingly higher levels of management and, finally, to the Board. Planned corrective actions are independently monitored for timely completion.

Risk management

Management is responsible for the identification and evaluation of key risks applicable to its areas of business. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources.

The Group's risk management framework is detailed on page 40.

Monitoring and corrective action

There are clear and consistent procedures in place for monitoring the system of internal financial and non-financial controls. The Audit Committee normally meets not less than three times a year and, within its remit, reviews the effectiveness of the Group's system of internal financial controls. The Committee receives reports from the External Auditor, Internal Auditor and management.

Non-financial controls are reviewed regularly in line with the risk management framework. Corrective actions are taken by the risk committees, and exceptions are reported through the Internal Control Committee into the Audit Committee.

Information and communication with the Board

The annual budget and quarterly forecast updates are a key part of the planning and performance management process and the Board reviews performance against these. In addition, the Board receives monthly management reports, which highlight financial results, performance against key performance indicators and significant activities and matters of note during the month under review.

Through these mechanisms, the performance of the Group is regularly monitored, risks are identified in a timely manner, their financial implications assessed, control procedures evaluated, and corrective actions agreed and implemented.

Accountability

The Board acknowledges its responsibility to give a fair, balanced and understandable view of the financial position and future prospects of the business. On behalf of the Board, and at the recommendation of the Audit Committee, I confirm we believe that the 2024 Annual Report presents a fair, balanced and understandable assessment of the Group's position, its performance and its prospects, as well as of its business model and strategy.

Annual General Meeting

Our AGM will be held at our UK foam manufacturing facility. Attendees will have the opportunity to meet the Board informally and ask questions. Further information is provided in our Notice of the 2025 AGM.

The Directors and I look forward to welcoming shareholders to the AGM.

L Drummond
Chair

7 April 2025

AUDIT COMMITTEE REPORT
SUPPORTING GROWTH THROUGH A PERIOD OF CHANGE

Dear Shareholder
The Audit Committee has reviewed the contents of the 2024 Annual Report and advised the Board that it considers the Report to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Committee is responsible for the oversight of the Group's financial reporting and for keeping under review the adequacy and effectiveness of the Group's internal controls and risk management systems. The Committee's terms of reference are available on the Group's website.

The report provides an overview of the activities undertaken by the Committee during the year and explains the significant issues and judgements that the Committee considered, in particular when approving this Annual Report.

MuCell Extrusion (MEL) business unit (carrying value)
During 2024, the Committee closely monitored the assessment of the carrying value of MEL's assets in relation to the ReZorce® Circular Packaging opportunity. Having noted the External Auditor's agreement with management's opinion, who had gained comfort on the recoverable value of the assets by reviewing and testing the inputs and assumptions used in management's value-in-use model, and assessed the progress achieved during the year, the Committee concluded that there was no impairment as at 30 June 2024. The Committee had noted the Board's decision to continue to support the investment subject to the ability by the end of the year to secure a strategic investing partner, acknowledging the challenges to Zotefoams progressing this opportunity alone.

Having continued to engage with management via the Board until December 2024, and understood that no strategic investor was forthcoming, the Committee noted the Board's decision to pause investment and initiate a process to wind down the operations of the MEL business unit, which includes ReZorce, the activities at Zotefoams Denmark ApS and the operations related to MuCell Extrusion LLC. The exit from these activities is expected to reduce ongoing Group overheads and will allow resources to be re-deployed into the foams businesses, but will result in an impairment of the carrying value of associated assets amounting to £13.8m and one-off closure costs of £1.4m, amounts reviewed and agreed by the Committee as requiring reporting as an exceptional item in the 2024 financial statements. The External Auditor challenged the accounting treatment of this exceptional item as a discontinued operation and it was concluded that it was not.

Shincell accounting treatment
In May 2024, Zotefoams signed a Global Alliance agreement with Suzhou Shincell New Materials Co Ltd ("Shincell") of Suzhou, China, under which Zotefoams will pay technology licensing fees of RMB 80m (c. £9m) over the five-year term of the agreement. This agreement delivers access to Shincell's intellectual property. In agreement with management and the External Auditor, the Committee acknowledges that IFRS16 requires a right of use ("RoU") asset to be recognised if an entity acquires the rights to use an underlying asset for the lease term, and a corresponding liability to be recorded as a finance lease, and that the length of the agreement requires the application of discounting factors. As a consequence, this accounting treatment has been applied.

Internal controls
The Committee maintained its monitoring of the structure and effectiveness of the Group's system of risk management through a biannual review of the Group's risk management activities in line with the risk management framework, aimed at identifying, measuring and assessing the Group's principal and emerging risks. Further details are provided on pages 38 to 50.

Having operated the existing risk management framework for several years, management issued a tender to three professional firms to assess its effectiveness and efficiency and suggest improvements to how it might operate. The Group's Internal Auditor, Grant Thornton, was selected to perform the work.

Grant Thornton based their approach on their established risk management framework methodology and sought to a) evaluate the current framework and control environment, b) complete a gap analysis and needs assessment and c) draft an action plan to address areas for improvement. Individuals interviewed included representatives from the Board, the Group Executive Team and senior managers, and a draft report was presented to the Committee in January 2025.

Key findings were that the framework was well documented, with clear terms of reference outlining the roles and responsibilities for the sub-committees, Board oversight and an appropriate tone from the top. However, the existing structure was identified as a considerable consumer of management time and could be streamlined. Improvement opportunities also existed around the setting of risk appetite, the proactive identification of new and emerging risks, and a clearer linkage of risks to the Group's strategic objectives. These improvements will be implemented in 2025.

A global programme of internal controls documentation and testing, together with improvements, continued during the year, led by the Internal Controls Manager. Following on from significant progress made at the Company during the previous year, it expanded during the year to include a comprehensive review of key transactional processes and controls for the China and US operations, followed by control testing, a review of the payment processes for the UK and Poland operations and documented controls for the accounts consolidation and tax computations in the UK.

Internal controls work in 2025 will focus on completing the documentation, testing and improvement process across the Group, in order to ensure alignment of the Group's internal controls with Provision 29 of the UK Corporate Governance Code 2024 (coming into effect for FY 2026). This provision requires the Board to monitor the Company's risk management and internal control framework and, at least annually, conduct a review of its effectiveness. The monitoring and review will apply to all material controls.

AUDIT COMMITTEE REPORT (CONT.)

Internal audit

The three-year internal audit plan was reviewed and updated by the Committee during the year to reflect business priorities The following internal audits were carried out in 2024.

- Kunshan, China: the Committee noted that, due to a gap in leadership, control weaknesses in relation to procurement and inventory had been identified in the operations of the China subsidiary. A full controls review by the Internal Auditor, incorporating the design and operating effectiveness of key business controls, was carried out in H1 2024 and concluded that the subsidiary exhibited a relatively low maturity level in respect of key processes and controls. A number of staff were removed and no material loss was suffered. The management actions identified are largely complete and were addressed by the Group CFO, the Group Financial Controller and the Internal Controls Manager, all of whom visited the site during 2024. Combined with a reorganisation of the T-FIT business unit under the leadership of a new Group Commercial Director in H2 2024, the improved supervision and controls, and positive engagement and reception by the local China team, have provided the Committee with assurance that material risks have been appropriately mitigated.
- Walton, USA: a planned full controls review by the Internal Auditor incorporating the design and operating effectiveness of key business controls was carried out in H2 2024 and concluded that a good, open culture existed with a supportive management team in place. Control deficiencies were identified in inventory management, supplier management and user access controls for IT applications, while the high standards of health and safety observed in Croydon were assessed as lower in Walton. Management actions have been agreed and will be implemented, supported by the Internal Controls Manager who will continue a programme of testing and review to support further enhancement.

Following recognition of a deficiency identified in the 2023 internal audit on human resources in relation to the absence of a Human Resources Information System (HRIS), the Committee monitored during H2 2024 the progress in implementation of a selected system designed to enhance HR operational effectiveness in administration, payroll, performance management, talent acquisition and succession planning. The system is expected to become operational during 2025.

The Committee's responsibilities

In the discharge of its duties, the Committee has given due consideration to all relevant laws and regulations, including the provisions of the UK Corporate Governance Code (the "Code"), the FRC Guidance to Audit Committees, the requirements of the UK Listing Authority's Listing Rules and the Prospectus and Disclosure and Transparency Rules (DTRs).

The Committee continues to fulfil a key role in the Group's governance framework, providing valuable independent challenge and oversight across the Group's financial reporting and internal control procedures. In a rapidly evolving climate, it seeks to ensure that shareholders' long-term interests are protected and that long-term value is created.

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its Terms of Reference and has assessed satisfactorily the independence and objectivity of the External Auditor. I am available to answer any questions you may have about the work of the Committee. Please contact the Company Secretary in this regard.

D Robertson
Chair of the Audit Committee

7 April 2025

Summary of the role of the Audit Committee

The main responsibilities of the Audit Committee are:

- to monitor significant financial reporting issues and judgements and the clarity and completeness of disclosures made in connection with the preparation of the Group's and Company's financial statements, assumptions for the going concern and viability statements, interim reports, preliminary announcements and related formal statements, including any matters which the External Auditor may wish to raise; where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board
- to review and challenge, where necessary: the application of significant accounting policies and any changes to them; the methods used to account for significant or unusual transactions where different approaches are possible; whether the Group has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the External Auditor's views on the financial statements; and the clarity and completeness of disclosures in the financial statements and the context in which statements are made
- to review on behalf of the Board the integrity of the Group's internal financial controls and assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks and make recommendations to the Board
- to keep under review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems
- to review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance
- to review the adequacy and security of the Group's arrangements for its employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters
- to review the Group's procedures for detecting fraud
- to consider and approve the remit of the internal audit function and ensure that it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards, free from management's influence or other restrictions
- to review and approve the terms of engagement of the External Auditor, including any engagement letter issued at the start of each external audit and the scope of any audit before it begins

- to assess annually the qualification, skills and resources, effectiveness, objectivity and independence of the External Auditor
- to ensure that the Annual Report includes disclosures in line with the Financial Conduct Authority (FCA) listing rule LR 9.8.6 R(8), which implements the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- to review tri-annually a policy in relation to the provision of non-audit services by the External Auditor and the approval by the Committee of such services; this policy serves two purposes: to avoid any threat to the External Auditor's objectivity and independence and the impact that such services could have on the audited financial statements, while taking into account any relevant ethical guidance on the matter; and to ensure that the Group maintains sufficient options to permit a competitive tender should one become necessary
- to report to the Board on how it has discharged its responsibilities, including making recommendations, when necessary, on any actions or improvements required.

The Audit Committee's Terms of Reference, which are available on the Group's website, include all matters indicated by the Disclosure and Transparency Rule 7.1 and the UK Corporate Governance Code. The Terms of Reference are reviewed annually by the Audit Committee to ensure that they remain appropriate and reflect current best practice. The Terms of Reference were last reviewed in July 2024.

Composition of the Audit Committee

In line with the Code, the Committee comprises the four independent Non-Executive Directors and excludes the Company Chair.

The members of the Audit Committee on 31 December 2024 were D Robertson (Chair), J Carling, M Swift and C Wall.

Their biographies can be found on pages 72 and 73.

D Robertson is a Fellow of the Institute of Chartered Accountants of England and Wales and was Group Finance Director of SIG plc until January 2017, having previously held that position at both Umeco plc and Seton House Group Limited. In the opinion of the Board, D Robertson has significant, recent and relevant financial experience to fulfil the requirements of the role. All current members of the Audit Committee have held, or currently hold, board-level positions in manufacturing industries with international reach.

The Audit Committee's membership, as a whole, has competence relevant to the sector in which the Group operates and is able to function effectively with the appropriate degree of challenge.

Meetings

The Audit Committee has a planned calendar, linked to events in the Group's financial calendar. The Audit Committee met four times in 2024. Further details may be found on page 75.

The Company Secretary acts as secretary to the Audit Committee. The Company Chair, Group CEO, Group CFO, Group Financial Controller and senior representatives of the External Auditor and Internal Auditor are invited to attend relevant meetings of the Committee, although the Committee reserves the right to request any of these individuals to withdraw. At each meeting, the External Auditor is given the opportunity to raise matters without management being present. Other senior managers may be invited to present such reports as are required for the Committee to discharge its duties. During the year, on an informal basis, the Audit Committee Chair liaises with senior representatives of both the External Auditor and Internal Auditor to discuss matters outside the formal Committee meetings.

Overview of the actions taken by the Audit Committee to discharge its duties

Since the beginning of 2024, the Audit Committee has:

- reviewed the financial statements in the 2023 Annual Report, including the going concern and viability statements and the stress-testing of the viability statement, and received the External Auditor's report on the 2023 Annual Report
- satisfied itself that the European Single Electronic Format (ESEF) requirements have been integrated into the Annual Report planning and appropriate testing had been carried out
- reviewed the Interim Report issued in August 2024 and received the report from the External Auditor on its review of the Interim Report
- reviewed and approved an updated three-year rolling internal audit programme, agreed a programme of work for 2024 to be performed by the Internal Auditor and received the Internal Auditor's reports on the work undertaken and management's responses to the recommendations therein
- reviewed a report on the effectiveness of the Group's risk management framework and management's responses
- reviewed and agreed the scope of the audit work to be undertaken by the External Auditor
- agreed the fees to be paid to the External Auditor for its audit and work on the Annual Report and Interim Report
- undertaken an evaluation of the independence, objectivity and effectiveness of the External Auditor, including reviewing the amount of non-audit services provided by the External Auditor
- met the proposed new Audit Partner at PKF Littlejohn to be appointed in 2025 in line with the requirements of the Auditing Practices Board's Ethical Standard 3 on rotation
- monitored the engagement of audit firms providing non-audit services to ensure that the requirement for independence would not hinder future External Auditor tenders
- noted the appointment of PKF Poland as auditors of the Polish subsidiary following a tender process
- considered the output from the Group-wide process used to identify, evaluate and mitigate high-level business risks
- considered the views of both the External and Internal Auditor on the effectiveness of the Group's internal financial controls
- reviewed and challenged the effectiveness of the Group's internal controls (including, but not limited to, financial controls and measures for detecting fraud) to ensure that they remain appropriate and adequate as the Group grows
- received reports from the Internal Auditor, noted findings identified and oversaw the fulfilment of appropriate management actions to address the same
- noted the dissolution and reinstatement of the Danish subsidiary due to non-compliance with local legal requirements
- reviewed the Group's policies on ethics, anti-bribery, corruption and fraud, and the arrangements in place for employees to receive appropriate training and for employees, contractors and other interested parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters
- received an allegation of bribery, which was investigated and resolved with no material impact on the Company
- satisfied itself that the requirements of the Regulations made under section 3 of the Small Business, Enterprise and Employment Act 2015 relating to payment practices reporting had been met, with a focus on maintaining a high level of compliance with UK suppliers' payment terms in 2024 and considered payment practices in subsidiary operations in the USA, China and Poland
- confirmed with management that Zotefoams plc and its subsidiaries have paid all applicable tax in the jurisdictions in which they operate
- reviewed its own effectiveness by conducting a confidential evaluation through an online portal, the anonymised outcome of which was discussed by the Board; it was agreed that the Committee remained effective, had fulfilled its remit and had in place appropriate Terms of Reference
- considered the provisions of the 2018 UK Corporate Governance Code and the FRC Guidance on Audit Committees

AUDIT COMMITTEE REPORT (CONT.)

- ensured that the 2023 Annual Report included disclosures in line with the FCA listing rule LR 9.8.6 R(8) which implements the recommendations of the TCFD
- considered the implications of Provision 29 of the UK Corporate Governance Code 2024 (the "Code") and gained assurance that the Company will be in a position to meet the Code requirements when they take effect on 1 January 2026
- satisfied itself that the Sustainability Accounting Standards Board (SASB) framework, implemented through the risk management framework, ensured that all business risks relating to sustainability, including climate change risks, were identified, assessed and treated at each of the appropriate Control Committees within the Group. Further details about Zotefoams' ESG framework may be found on pages 56 to 71
- reviewed a paper on the accounting treatment of the Group's agreement with Suzhou Shincell New Materials Co Ltd ("Shincell") of Suzhou, China and satisfied itself that the accounting treatment proposed is acceptable.

Financial reporting and significant financial issues

The Audit Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The Committee reviews accounting papers prepared by management which provide details on the main financial reporting judgements. The Committee reviews reports by the External Auditor on the full-year and half-year results, which highlight any issues with respect to the work undertaken on the audit or review.

During the year, no changes to accounting policies were made and all new reporting requirements were implemented. Details of significant accounting policies may be found in the notes to the financial statements on pages 116 to 122. The Committee considered the correct treatment of, and potential impairment of, intangible assets in MEL as well as the pension assumptions applied to the Company's closed Defined Benefit Pension Scheme as the most significant financial issues in 2024.

Impairment of intangible assets in MEL

The Audit Committee received a report from management on the approach and rationale behind the capitalisation of intangible assets as well as the justification for the continued full recognition of the capitalised value in the Group's Statement of Financial Position. Having considered the paper, a report from the External Auditor on its audit work in this regard and the Board's regular reviews of the ReZorce opportunity, the Audit Committee was satisfied that the treatment was appropriate as at 30 June 2024.

In December 2024, the Board made the decision to pause investment in, and initiate a process to wind down, the operations of the MEL business unit, which includes both ReZorce and the operations related to MuCell Extrusion LLC. The exit from these activities is expected to reduce ongoing Group overheads and will allow resources to be re-deployed into the foams businesses but will result in an impairment of the carrying value of associated assets, valued at £13.8m, and one-off closure costs of £1.4m, both of which are recorded as exceptional items in the 2024 financial statements on page 107. The Audit Committee also considered the disclosure of MEL as a discontinued operation and concluded that it was not, on the basis of small levels of activity related to existing royalty agreements and an agreement for MEL equipment to be sold on licence.

Pension assumptions

As the Company's closed Defined Benefit Pension Scheme represented one of the largest individual liabilities on the consolidated statement of financial position at £1.6m as at 31 December 2024, the Audit Committee assessed the appropriateness of the key assumptions used by management to value the pension liability and is satisfied that these are appropriate.

External audit tender

The Audit Committee is aware of the requirement for FTSE 350 companies to put to tender their external audits at least once every ten years (as set out in the Competition and Markets Authority's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014) and for audit committees to state their plans for when they are likely to consider a tender process if the external audit has not been put to tender in the past five years.

The Group is, by virtue of the FRC Revised Ethical Standard 2019, subject to the requirement to put the audit to tender every ten years. A tender process for the external audit for the Group was undertaken in 2020, following which PKF Littlejohn LLP (PKF) was selected as the External Auditor. The Committee intends to monitor PKF's performance and determine the most appropriate time to carry out a new tender process in due course, which will be, at the latest, in 2030. Given that the rules on independence may preclude an audit firm from participating in a tender if it has previously advised the Group in a non-audit capacity, a register of firms used by the Group for non-audit work is maintained by the Group CFO, whose authorisation is required prior to engaging any new firm. Any future tender will be carried out in line with the prevailing best practice. The 2024 Audit was PKF's fifth annual audit for the Group and was led by J Archer as Audit Partner.

J Archer is the Responsible Individual in charge of the audit and signs the independent auditor's report to the members of Zotefoams plc on behalf of PKF Littlejohn LLP. In accordance with the requirements of the Auditing Practices Board's Ethical Standard 3, the Audit Partner will be rotated in 2025. The Committee has met with the proposed new incumbent.

The Committee confirms that there were no contractual obligations that acted to restrict the Committee's choice of External Auditor and that the agreement with PKF will not restrict the shareholders' choice of auditor in future general meetings.

Effectiveness of the External Auditor

The Audit Committee assesses the effectiveness of the external audit process in a number of ways. At least annually, the External Auditor presents a report which includes an assessment and confirmation of its independence, as well as the activities that the External Auditor is undertaking to ensure compliance with best practice and regulation. At the conclusion of the annual audit, the Audit Committee undertakes an assessment of the External Auditor in relation to its fulfilment of the agreed audit plan, the robustness and perceptiveness of the External Auditor in handling key accounting and audit judgements and the thoroughness of the External Auditor's review of internal financial controls. As part of this assessment, management's opinions on the External Auditor are also considered. An extended questionnaire aligned with FRC guidance implemented in 2021 was again used in 2024 and continued to evidence that there was open and complete dialogue between the External Auditor and the Committee. The Committee also considered the processes put in place by PKF Littlejohn LLP to monitor its quality and drive improvements consistently. The Committee noted established practices aimed at simplifying and standardising processes, strong supervisory arrangements at all levels of the organisation and a good degree of professional scepticism applied to management judgements.

In line with the policy related to the provision of non-audit services by the External Auditor, the Committee confirms that other than the review of the Group's Interim Report, the External Auditor did not provide any non-audit services in 2024.

The Audit Committee, having conducted its review of the External Auditor, concluded that the External Auditor has performed in a satisfactory manner and continues to be objective and independent and, therefore, has recommended to the Board that a resolution be put to the shareholders at the 2025 AGM to re-appoint PKF Littlejohn LLP as the External Auditor.

NOMINATION COMMITTEE REPORT
A FOCUS ON DIVERSITY

Dear Shareholder
I am pleased to present my report on the activities of the Nomination Committee in 2024.

Following the appointment of a new Group Chair and a Remuneration Committee Chair in 2023, a new Group CEO, R Cox, joined the Board in May 2024. Details of the search process are provided on page 87 of the 2023 Annual Report. Given that achieving a rapid understanding of the business was key, a comprehensive induction programme comprising engagement with key stakeholders, risk management briefings and key processes review was delivered by the Group Chair, Group CFO and Group Company Secretary. Visits to all Group subsidiaries and large customers were also prioritised.

The Board believes that diversity is a cornerstone of innovation and sound decision-making. Recognising the value of diverse perspectives, the Board has remained committed to fostering inclusivity at every level. In line with this commitment, the Committee recommended the appointment of a highly experienced business leader from an ethnic minority background as a Board Fellow, a voluntary non-Board position designed to offer Board experience to a talented senior executive from a minority-ethnic background. Following a thorough and independent search conducted by Warren Partners, Zotefoams welcomed Ziba Shamsi in May 2024. With a PhD in Psychopharmacology from the University of Surrey and an MBA from Imperial College London, Ziba brings a wealth of experience as a C-suite executive in commercial strategy, business development and investor relations.

The Committee is pleased to note that the Group Executive Team (GET) female membership increased from 17% in 2023 to 37.5% during 2024. Further details on the Group's diversity figures and current diversity initiatives are provided in our Social section on pages 63 to 71.

Effective succession planning remains key to the delivery of our strategy. During the year, the Committee has reviewed the balance of skills, knowledge, experience and diversity to maintain robust and effective challenge and stewardship of the Group's purpose and strategy. The GET's 2024 restructuring aims to provide clear alignment with a refreshed strategy, increased functional effectiveness and better succession planning by building leadership capability throughout the organisation. Further details about the GET are provided on page 21.

An annual performance evaluation exercise was led by the Company Chair and facilitated by the Company Secretary, who is considered a suitable and independent person to conduct this process. The Board concluded that it had operated effectively in 2024 and would continue to address areas identified for further development, such as focused engagement with the GET and the Human Resources (HR) leadership in particular.

Recognising that a people strategy sits at the core of the future of the Group, the HR function engages regularly with the Board and the GET, and through risk steering committee meetings, which focus on the mitigation of HR risks and identification of opportunities that might impact and support the Group's achievement of its business objectives. These matters include the consideration of diversity at Group level, employee engagement and effective succession planning. The GET is also provided with regular updates, and reports are made to the Board at least twice a year on HR strategic matters.

The Committee is satisfied that the separation of Executive and Non-Executive roles at the head of the Group has been maintained, with the Company Chair being responsible for leading the Board and the Group CEO being responsible for the executive leadership of the business.

Further details are provided in the Corporate governance section on pages 74 to 76.

The Committee will continue to focus on succession planning and talent development over the long term in 2025.

L Drummond
Chair of the Nomination Committee

7 April 2025

Board appointments
Appointments to the Board are proposed by the Nomination Committee and approved by the Board. New appointments are made on merit against objective criteria, taking account of the specific skills and experience, independence and knowledge needed to ensure a rounded Board and the benefits each candidate can bring to the overall Board composition. Search consultants selected by Zotefoams are required to cast their search sufficiently broadly to identify the best candidates, regardless of background. Care is taken to ensure that appointees, as well as the existing Directors, have sufficient time to devote to their roles.

> Joining Zotefoams at such an exciting time has been a truly rewarding experience. The Company's commitment to innovation, sustainability and long-term growth is evident in every aspect of the business. Over the past year, I have had the opportunity to engage with talented individuals across the organisation and contribute to meaningful discussions on strategic initiatives, including new partnerships and global expansion efforts. I look forward to continuing to support the Company's vision and success.

Ziba Shamsi
Board Fellow

NOMINATION COMMITTEE REPORT (CONT.)

Diversity Listing Rule

Under Listing Rules LR 9.8.6R(9) and LR 14.3.33R(1), Zotefoams plc is required to confirm whether the Company has met the following diversity targets:

- at least 40% of the Board should be women
- at least one of the senior Board positions (Chair, Chief Executive Officer (CEO), Senior Independent Director (SID) or Chief Financial Officer (CFO)) should be a woman
- at least one member of the Board should be from a minority-ethnic background.

The reference date used for the purposes of this disclosure is 31 December 2024. At the end of 2024, our Board comprised five male and two female Directors, giving an overall female membership of 29%. All Board members are from a white ethnicity background.

In line with the Board Diversity Policy and the Equality Diversity and Inclusion Policy, the Company will continue to strive to improve its ethnic and gender diversity. It is acknowledged that, in periods of Board change, there may be times when these thresholds are not maintained.

The Board Diversity Policy is mirrored in Zotefoams' wider recruitment strategy. More details can be found in our Social section on pages 63 to 68.

The Board members have gained their business experience across a broad range of industries, covering industrial, engineering, energy, education, medical, food, intellectual property and financial services, which results in significant collective knowledge of business practices and a high degree of international exposure. The Board also benefits from the broad cultural, educational and professional backgrounds of its members.

Board evaluation

The 2024 Board evaluation covered all aspects of the Board's structure, composition and operation, Board interactions (external and internal) and business strategy, risks and priorities.

The process involved the following steps:

- completion of a combined qualitative questionnaire for the Board and its Committees
- completion of a skills matrix
- individual interviews and a group discussion
- feedback from the GET on its interaction with the Board.

The main observations from the evaluation were that:

- in a period of change, monitoring the organisational culture over the next year will be particularly important. The Board will continue to engage with employees in a variety of ways. Further details are provided in our corporate governance section on page 67
- a continued focus on ROCE, sustainability and diversity of thought is key
- given that the Board membership has fluctuated in the past three years, the Board will consider retaining a facilitator to support the 2025 Board effectiveness review process.

The review confirmed that the Board and its Committees remained effective and continued to fulfil their remit, that the matters reserved for the Board were up to date and that appropriate Committees' Terms of Reference were in place. All Directors contribute effectively and provide the appropriate level of commitment to their role.

The Board considers that it is functioning well, is aligned with the Company's values and that its current composition contains an appropriate balance and diversity of views, qualifications, skills, experience and personal attributes necessary to carry out its duties and responsibilities.

Each month, all Directors receive management reports and briefing papers in relation to Board matters in a timely manner to ensure that they have sufficient time to consider the information and act accordingly. New appointments to the Board receive an induction and, where appropriate, training. The Directors have access to the Company Secretary and independent professional advisers, at the Group's expense, if required for the furtherance of their duties.

The Directors also undertake continuing professional development activities through the year to support development areas identified through the Board evaluation process as well as to keep themselves up to date with evolving rules, regulations and guidance.

Key areas of focus

The Nomination Committee comprises the Chair and the four independent Non-Executive Directors as at 31 December 2024. The members of the Nomination Committee on 31 December 2024 were L Drummond (Chair), J Carling, D Robertson, M Swift and C Wall.

Their biographies can be found on pages 72 and 73.

The Non-Executive Directors' independence is reassessed annually through the review of a personal declaration.

The Nomination Committee operates within defined Terms of Reference and is responsible for putting in place succession plans for the Board, reviewing the continuation in office of the Directors and managing the recruitment of new Board members within criteria set by the Board. The Committee met six times in 2024 as detailed on page 75. In addition, the Chair and C Wall held informal discussions and a number of meetings with Warren Partners in relation to the search for a Board Fellow. The Committee is supported by the Company Secretary in planning its activities, monitoring best practice and meeting its Terms of Reference.

The main responsibilities of the Committee are to:

- evaluate and review the structure, size and composition of the Board, including the balance of skills, knowledge, experience and diversity of the Board, taking into account the Group's risk profile and strategy
- identify and nominate suitable candidates for appointment to the Board, including the Chair of the Board and its Committees, against a specification of the role and capabilities required for the position
- lead on the annual performance evaluation of the Board and its Committees
- identify and manage any potential conflicts of Directors' interests
- review the external interests and time commitments of the Directors to ensure that each has sufficient time to effectively discharge his/her duties
- manage succession planning for the GET and Non-Executive Directors
- seek engagement with shareholders on significant matters related to the Committee's areas of responsibility when appropriate to do so.

During 2024, the Committee:

- reviewed its Terms of Reference in line with current best practice
- recommended the appointment of a new Group CEO
- arranged for the Board to review diversity considerations in succession planning, having regard to the requirements of the Hampton-Alexander review and the Parker review and agreed compliance with Listing Rules LR 9.8.6R(9) and LR 14.3.33R(1) in relation to the Board diversity
- recommended the appointment of a Board Fellow
- kept the composition of the Board and its Committees under review
- considered and recommended to the Board the re-election of each Director ahead of their re-election by shareholders at the Company's 2024 AGM
- continued to review succession and development plans for the GET and wider senior management team to ensure that a suitable talent pool remained in place and continued to be nurtured to meet the Group's strategic objectives
- ensured that, at least annually, the Non-Executive Directors met without the Executive Directors present.

Scan the QR code to see the Board Diversity Policy
zote.info/3UE6Deb

Scan the QR code to see the Equality, Diversity and Inclusion Policy
zote.info/4aJXV4f

DIRECTORS' REMUNERATION REPORT

For the second year running, our Group Executive Team has led the delivery of record profit before tax and exceptional items and the incentive outcomes for 2024 reflect this strong performance. During the course of 2025, we will be reviewing our Remuneration Policy and ensure it supports our refreshed strategy to strengthen our position to capture long-term growth opportunities driven by the increasing demand for sustainable, innovative, lightweight and durable materials.

Dear Shareholder

I am pleased to present the Remuneration report for the year ended 31 December 2024.

2024 remuneration in the context of our business performance and outcomes for our key stakeholders

The Board is pleased to report that Zotefoams delivered strong performance in 2024, achieving Group revenue of £147.8m (2023: £127.0m) which was a 16% increase compared with the prior year. Profit before tax, before exceptional items, increased by 19% to a Group record of £15.3m (2022: £12.8m). This reflects the work we have done to grow sales of our innovative products as well as deliver efficiency savings.

As announced in December 2024, our decision to pause investment in ReZorce® Circular Packaging will enable us to focus resources on the opportunities in our core foam business units and the cash savings will be redirected to growth in our refreshed strategy to expand beyond our core capabilities through strategic investments and deeper customer partnerships. By leveraging our supercritical fluid foam technology and investing in innovation and customer-focused manufacturing capabilities, we will strengthen our position to capture long-term growth opportunities driven by the increasing demand for sustainable, innovative, lightweight and durable materials.

The Group balance sheet remains strong, with significant financial headroom and a year-end leverage multiple of 0.9x (2023: 1.2x), affording flexibility to execute on our strategic plans.

The Committee considers that the decisions it has made during the year are consistent with our principles of fairness and transparency, and are aligned with, and in the interests of, all our stakeholders.

2024 incentive outcomes

Annual bonus

The 2024 annual bonus was subject to a mixture of financial and non-financial performance measures aligned with key strategic priorities. 50% was linked to profit before tax, 15% on operating cash flow, 15% based on performance against ESG-related metrics and 20% based on individual/strategic objectives.

Based on performance against these measures, our Group CEO, R Cox, earned a bonus of 82.9% of salary and our Group CFO, G McGrath, earned a bonus of 73.6% of salary. R Cox joined the Company on 2 April 2024 as Group CEO Designate and joined the Board on his appointment as Group CEO on 22 May 2024. He was entitled to a pro-rated bonus from his date of joining the Company to 31 December 2024.

Our former Group CEO, D Stirling, retired from the Board on 22 May 2024 and remained an employee of the Company until 31 October 2024. He earned a bonus of 68.6% of salary pro-rated for the period 1 January to 22 May 2024.

Following the decision made by the Board to pause the investment in ReZorce, the Committee recognised R Cox's individual contribution in its assessment of the MEL strategic objective. The Committee took into account a range of factors including the important technical milestones achieved during the year and the extensive engagement with potential strategic partners and parties across the value chain. This work was critical in enhancing the future prospects of the Company and has enabled the Company to pivot, generating significant cash savings that can be directed to our refreshed growth strategy as presented at our capital markets day in March.

The intellectual property and know-how associated with ReZorce is well protected and will be retained by the Group in order to preserve its ability to realise the value of this unique technology, should market conditions become more favourable.

A detailed description of performance against the targets is set out on pages 89 to 90. 33% of the bonus earned is deferred into shares for three years under the Deferred Bonus Share Plan (DBSP).

2022 Long-Term Incentive Plan (LTIP) award outcome

Regarding longer-term performance, the Group achieved adjusted earnings per share, before exceptional items and excluding MEL, of 33.7p[1] in 2024 versus a maximum target of 25p, as well as relative Total Shareholder Return (TSR) performance between median and upper quartile against the FTSE SmallCap Index (excluding investment trusts) over the three-year performance period and Return on Average Capital Employed (ROACE) of 16%, before exceptional items and excluding MEL, versus a maximum target of 15.0%. The Committee therefore determined that 76.47% of the LTIP award granted in 2022 would vest.

Given the underlying financial performance of the Group and the significant progress made to set Zotefoams up to deliver long-term success, the Committee felt that the formulaic outcomes were an appropriate reflection of performance delivered and the wider stakeholder experience (including, but not limited to, the shareholder experience). It has, therefore, not exercised any discretion in relation to incentive outcomes during the year.

Implementation of Remuneration Policy in 2025

As announced on 3 March 2025, G McGrath will retire from his role during 2025, remaining in role until 31 October 2025, or longer if required, as part of a managed succession process.

Base salary

The Group CEO and Group CFO base salary will increase in line with the base salary increases for the wider UK workforce. This increase will apply for G McGrath, recognising that he will continue in his role until 31 October 2025 or longer if required.

All salary increases are effective from 1 April 2025.

Pension

Executive Directors receive a maximum employer pension contribution of 7%, aligned with the wider UK workforce.

Incentive awards

The Remuneration Policy adopted at the 2023 AGM provides for an overall incentive opportunity headroom of 250% of salary, with a limitation that no more than 125% of salary can be earned under the annual bonus. Given our focus on driving long-term sustainable value creation for our shareholders and long-term retention of the Executive Directors, the maximum annual bonus will remain at 100% of salary and the LTIP award at 150% of salary.

Details of the metrics for the 2025 annual bonus are set out on page 86, with 70% of the bonus based on financial metrics, 10% based on performance against ESG-related metrics and 20% based on other strategic metrics. The Committee reviewed the bonus metrics during the year and, as a result, has agreed an increase in the financial portion from 65% to 70%. The free cash flow delivery measure has been replaced with a net working capital as a percentage of sales reduction metric with a 10% weighting.

The metrics and targets for the 2025 LTIP award are set out on page 86. For the 2025 LTIP award, awards will be based 45% on adjusted EPS growth (as defined on page 86), 15% on ROACE (as defined on page 86), 5% on sustainable product development (as defined on page 86), and 35% on relative TSR against the FTSE Small Cap Index (excluding investment trusts). Performance targets for incentive plans have been set to reflect the business plan for the Group over the relevant performance period and external expectations of performance.

The annual bonus for G McGrath will be pro-rated to reflect his active service during 2025. Recognising that he will remain in role until 31 October 2025, or longer if required, he will continue to be eligible to be granted a 2025 LTIP award. Reflecting his long service and contribution to the business, the Committee exercised its discretion to grant "good leaver" status for the purposes of determining the treatment of his outstanding DBSP and LTIP incentive awards. His outstanding DBSP awards will be retained and will vest on their usual vesting dates with no acceleration. His outstanding LTIP awards will vest on their usual vesting dates, pro-rated for the period to the end of his employment and tested for performance in the usual way.

Full details of the remuneration arrangements on termination of employment for D Stirling are shown on page 92 and will be provided for G McGrath in the 2025 Directors' Remuneration report.

Looking forward

Our Remuneration Policy was approved at the 2023 AGM with over 95% of the votes cast in favour of it. During the course of 2025, we will be reviewing our Remuneration Policy to ensure that it continues to support our strategic priorities. The Committee is mindful of the need to attract and retain high calibre individuals in an increasingly competitive market and to remunerate executives fairly and responsibly. We will consult with our shareholders in advance of the next triennial shareholder vote on the policy at the 2026 AGM.

The Committee and I would like to thank you for your continued engagement over the past year and look forward to receiving your support in respect of the Directors' Remuneration report at the AGM. In the meantime, I will be available to answer any questions you may have.

M Swift
Chair of the Remuneration Committee

7 April 2025

1 The Group achieved earnings per share of 26.0p (equivalent to 33.7p adjusted for the MEL operating loss and a constant tax rate of 19%).

DIRECTORS' REMUNERATION REPORT (CONT.)

Directors' Remuneration report

The Directors' Remuneration report has been prepared in accordance with the relevant provisions of the Listing Rules, section 421 of the Companies Act 2006 and Schedule 8 to the Large and Medium sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

Directors' Remuneration Policy and Implementation in 2025

The Directors' Remuneration Policy (the "Remuneration Policy") was approved with a vote of 95.27% for at the 2023 AGM held on 24 May 2023 and is intended to remain in place until the AGM in 2026. A summary of the Remuneration Policy and how it will be implemented in 2025 has been set out below.

The full version may be found on pages 91 to 99 of the 2022 Annual Report. A copy of the 2022 Annual Report may be found by following this link: https://zote.info/3Lj0oYj.

Executive Directors

Element and purpose/link to strategy	Implementation for 2025
Salary Positioned at a level needed to recruit and retain Executive Directors of the calibre required to develop and deliver the business strategy.	The base salaries for the Group CEO and Group CFO will be increased in line with the base salary increases for the wider workforce on 1 April 2025. The salary increase for G McGrath recognises that he will continue in his role as Group CFO until 31 October 2025 or longer if required.
Benefits Provide market-competitive benefits for the Executive Directors, to assist in carrying out their duties effectively.	Benefits to be provided in line with approved policy.
Retirement benefits Provide competitive post-retirement benefits and reward sustained contribution.	All Executive Directors receive an employer pension contribution of 7%, aligned with the wider UK workforce.
Annual bonus Incentivise Executive Directors to achieve specific financial and predetermined strategic goals aligned with the Group's annual business plan. Deferred proportion of annual variable pay provides a retention element and alignment with shareholders.	Maximum opportunity – up to 100% of salary. 33% of the bonus is deferred into shares in the Company for three years under the Deferred Bonus Share Plan (DBSP). For 2025, the bonus will be assessed against the following measures for all Executive Directors:

Measure	Weighting
Profit before tax	60%
Net working capital as a percentage of sales	10%
Individual objectives	20%
Environmental, social and governance (ESG)	10%

The portion of the annual bonus based on financial measures has increased from 65% to 70% of maximum. The free cash flow delivery measure has been replaced with a net working capital as a percentage of sales metric with a 10% weighting.

An underpin will apply which enables the Committee to adjust the bonus outcome in cases where: (i) safety performance is considered to have reduced to unacceptable levels, and/or (ii) the formulaic out-turn otherwise does produce a result which fairly reflects overall performance.

The underlying performance targets for these measures have not been disclosed in advance as they are considered to be commercially sensitive. Underlying targets will be provided, where appropriate, in next year's Directors' Remuneration report.

G McGrath will be entitled to a pro-rated annual bonus based on active service during the year.

Element and purpose/link to strategy	Implementation for 2025
Long-Term Incentive Plan To incentivise the delivery of long-term sustainable operational performance and the growth potential of the Group. To align interests of Executive Directors and shareholders. To attract and retain executives of the calibre required to drive the Group's long-term strategic ambitions.	Maximum opportunity – 150% of salary. Awards are subject to a three-year performance period and a subsequent two-year holding period such that no shares will normally be released until the end of year five. Awards will be subject to the following performance conditions:

Measure	Weighting	Threshold[1,2]	Maximum[1]
EPS growth[3]	45%	5% p.a. compound growth	15% p.a. compound growth
Relative TSR[4]	35%	Median	Upper quartile
ROACE[5]	15%	16%	19%
Sustainable product development	5%	5% of revenue	6% of revenue

1 Straight-line vesting occurs between threshold and maximum.
2 Threshold results in 20% vesting.
3 In line with the approach for the previous LTIP awards, the EPS targets have been set based on a constant tax rate. The Committee retains the discretion to override this where it considers it appropriate.
4 Relative to the constituents of the FTSE Small Cap Index excluding investment trusts.
5 The ROACE targets set out above do not reflect the investment to be made in the new manufacturing and innovation facilities in Vietnam and South Korea. The Committee will review these targets in due course to ensure that performance is assessed on a fair and consistent basis with the stretch envisioned and intended at the time of grant.

Element and purpose/link to strategy	Implementation for 2025
Shareholding requirement and post-cessation shareholding policy Aligns the interests of Executive Directors and shareholders.	Executive Directors are required to hold shares in the Company equivalent to 200% of base salary. Executive Directors are expected to retain their full shareholding requirement for one year post cessation of employment and 50% for two years after leaving, unless the shares were acquired from LTIP and DBSP awards granted from 1 January 2023. If the shares were acquired from LTIP and DBSP awards granted from 1 January 2023, Executive Directors are expected to retain their full shareholding requirement for two years post cessation of employment.

Non-Executive Directors

The Remuneration Committee undertook a comprehensive review of the Group Chair fees, while the Group Chair and Executive Directors reviewed Non-Executive Director fees. Taking into account market benchmarks for companies of a similar size and complexity, and the time commitment required, it was agreed that the fees should be increased. These are detailed below.

Element and purpose/link to strategy	Implementation for 2025
Non-Executive Director fees	The following fees will apply effective 1 April 2025: Group Chair fee: £165,750 Non-Executive Directors base fee: £53,540 Fee for chairing a Committee: £10,000 This positions fees around the mid-point of the market competitive range.

Provision 40 of the UK Corporate Governance Code

The Committee has considered how the proposed remuneration framework appropriately addresses the following principles set out in Provision 40 of the 2018 UK Corporate Governance Code. The following table sets out how the Committee has addressed these factors.

Clarity	Incentive arrangements are based on clearly defined financial, non-financial and personal performance objectives which are aligned with the Group's long-term strategy, purpose and values. Incentive payments operate across the Group (with participation in the LTIP based on seniority) to ensure that there is alignment on key priorities throughout the Group.
Simplicity	Remuneration arrangements are simple to understand for both participants and shareholders, comprising the following key elements: • fixed pay: comprises base salary, benefits and pension • annual bonus: incentivises the delivery of financial, non-financial and personal performance objectives • LTIP: incentivises financial performance over a three-year period, promoting long-term sustainable value creation for shareholders. Awards are subject to a two-year holding period post vesting.
Risk	Performance targets for incentive plans are designed to reward outperformance, while at the same time being calibrated to ensure that they do not encourage excessive risk taking by the Executive Directors. Deferral of part of the annual bonus into shares and the holding period applying to LTIP awards ensures that variable remuneration is linked to sustainable performance and discourages short-term behaviours. The Remuneration Committee retains the flexibility to review formulaic outcomes under incentive plans to ensure that they are appropriate in the context of the overall performance of the Group, and all annual bonus and LTIP awards to Executive Directors include provisions for malus and clawback.
Predictability	The Remuneration Policy sets out the threshold targets and maximum level of pay that the Executive Directors may earn in any given year (and the potential remuneration that can be earned in several performance scenarios is set out in the illustrative scenario charts). The actual incentive outcomes will vary depending upon the level of performance against pre-determined performance measures.
Proportionality	The Committee is satisfied that the remuneration framework does not reward poor performance. Incentives are directly aligned with the Group's strategic objectives, with performance targets calibrated to reward outperformance both over the short and long term. The Committee also takes account of the pay and conditions for the wider workforce when considering executive remuneration.
Alignment with culture	The Remuneration Policy has been set in the context of the nature, size and complexity of the Group. It has been designed to support the delivery of the Group's key strategic priorities and values and is in the best interests of the Group and its stakeholders. The Committee is focused on ensuring that the remuneration framework and practices support Zotefoams' culture pillars and ensure that employees across the Group are appropriately recognised and rewarded for efforts and financial results.

DIRECTORS' REMUNERATION REPORT (CONT.)

Single total figure of remuneration (audited)

The following tables set out the single figure for total remuneration for Directors for the 2024 and 2023 financial years.

Executive Directors

	Salary (£)	Benefits (£)	Matching Shares (£)	Bonus (£)	LTIP (£)	Pension (£)	Total fixed pay (£)	Total variable pay (£)	Total (£)
R Cox[1]									
2024	**321,638**	**36,875**	**108**[3]	**267,203**	**–**	**22,515**	**381,136**	**267,203**	**648,339**
2023	–	–	–	–	–	–	–	–	–
D Stirling[2]									
2024	**163,835**	**6,696**	**323**[3]	**115,386**	**365,168**	**10,443**	**181,297**	**480,554**	**661,851**
2023	393,580	16,329[3]	406[4]	389,500	307,216[5]	23,615	433,930[3]	696,716	1,130,646[3]
G McGrath									
2024	**275,000**	**14,864**	**398**[3]	**206,080**	**290,751**	**34,247**	**324,509**	**496,831**	**821,340**
2023	252,298	13,998[3]	406[4]	241,800	204,494[5]	29,543	296,245[3]	446,294	742,539[3]

1 R Cox joined the Company on 2 April 2024 as Group CEO Designate and joined the Board on his appointment as Group CEO on 22 May 2024. The single total figure of remuneration data is calculated for the entire period of employment from 2 April 2024 to 31 December 2024.

2 D Stirling resigned from the Board on 22 May 2024 and remained an employee of the Company until 31 October 2024. The single total figure of remuneration data is calculated for the period he was a member of the Board, from 1 January 2024 to 22 May 2024. The remuneration he received from 23 May 2024 to 31 October 2024 is disclosed in the Payments made to past Directors section on page 93.

3 The benefits, total fixed pay and total pay figures for 2023 have been restated to include an updated total benefits figure. In line with our Remuneration Policy, the 2024 benefits for R Cox also includes £25,000 in respect of his agreed relocation allowance.

The Matching Shares' and LTIP's value for 2024 has been calculated on the basis of the average share price over the three months to 31 December 2024 of £3.59. There is no share price appreciation attributable to the LTIP value as the share price at grant was greater than £3.59.

4 The Matching Shares' value for 2023 has been calculated on the basis of the average share price over the three months to 31 December 2023 of £3.15.

5 The LTIP value has been restated to reflect the actual share price on the date of vesting, 26 April 2024, of £3.81. The figure disclosed in the 2023 single figure table was based on an estimate, using the three month average share price to 31 December 2023 of £3.15. There is no share price appreciation attributable to the LTIP value as the share price at grant was greater than £3.81.

Under the rules of the LTIP, participants may also receive an award of shares in lieu of the value of dividends paid over the vesting period on vested shares (paid at the end of the holding period). For the 2022 LTIP this was 5,972 shares for D Stirling and 4,754 shares for G McGrath with a valuation of £21,439 and £17,067 respectively, calculated on the basis of the average share price over the three months to 31 December 2024 of £3.59.

Non-Executive Directors[1,2,3,4]

	Fees paid in respect of 2024 (£)	Fees paid in respect of 2023 (£)
J Carling	47,363	43,449
L Drummond	147,350	99,667
D Robertson	55,256	50,370
M Swift	55,256	13,326
C Wall	47,363	43,449

1 Non-Executive Directors who also chair a Board Committee receive an additional fee.

2 The Non-Executive Directors and the Company Chair received a fee increase of 7% effective 1 April 2024 in line with the increase granted to the general UK workforce the previous year.

3 The Non-Executive Directors and the Company Chair's fees will be increased to the following level effective 1 April 2025:

Group Chair: £165,750

Non-Executive Directors: £53,540

Committee Chairs: £10,000

4 L Drummond joined the Board on 17 January 2023 and M Swift joined the Board on 29 September 2023.

Notes to the table (audited)

Base salary

As at 31 December 2024, the base salary for R Cox was £430,500 p.a. (R Cox joined the Company on 2 April 2024 and there is therefore no comparative figure for 2023).

As at 31 December 2024, the base salary (before salary sacrifice) for G McGrath was £280,000 p.a. (£260,000 p.a. as at 31 December 2023).

D Stirling resigned from the Company on 31 October 2024. On departure, his salary was £430,500 p.a. (£410,000 p.a. as at 31 December 2023).

Pension contributions

The Company operates a Defined Contribution Pension Scheme (the "DC Scheme") or a cash contribution equivalent. When participating in the DC Scheme, individuals may elect to enter a salary sacrifice arrangement, whereby their salary is reduced and the Company makes a corresponding contribution into their DC Scheme.

Until his departure on 31 October 2024, D Stirling received a cash contribution in lieu of pension contributions in accordance with the rules of the DC Scheme, which apply to all members. R Cox and G McGrath opted for the salary sacrifice arrangement and the amounts shown for his base salary are after salary sacrifice. Similarly, the amounts shown for the pension element of total remuneration include the amounts of salary that were sacrificed.

Benefits

Benefits include a company car allowance, private medical insurance, the value of the Matching Shares (at dates when awarded) acquired during the year under the Share Incentive Plan (SIP) and a relocation allowance where agreed.

Annual bonus 2024

The targets for the annual bonus for 2024 for R Cox, D Stirling and G McGrath are as set out in the below table:

	Weighting (% max)			Targets			Pay-out		
Measure	**R Cox[1]**	**D Stirling[2]**	**G McGrath**	**Threshold (20%)**	**Maximum (100%)**	**Performance achieved**	**R Cox**	**D Stirling**	**G McGrath**
Profit before tax and any exceptional items[3]	50%	50%	50%	£17.6m	£21.4m	£20.3m	37.5%	37.5%	37.5%
Meet Group operating cash flow budget	15%	15%	15%	£10.1m	£12.4m	£20.4m	15.0%	15.0%	15.0%
ESG: Reduce emissions by lowering the specific energy consumption from 5.39 to 5.12 kWh/kg	15%	15%	15%	5.39kWh/kg	5.12kWh/kg	5.19kWh/kg	11.1%	11.1%	11.1%
Strategic: MEL/ReZorce® opportunity	10%	15%	10%	See below	See below	See below	9.3%	0.0%	0.0%
Strategic: Market opportunity	n/a	5%	n/a	See below	See below	See below	n/a	5.0%	n/a
Strategic: Three-year and five-year strategic plans	5%	n/a	5%	See below	See below	See below	5.0%	n/a	5.0%
Strategic: Employee engagement	5%	n/a	n/a	See below	See below	See below	5.0%	n/a	n/a
Strategic: Support onboarding of new Group CEO	n/a	n/a	5%	See below	See below	See below	n/a	n/a	5.0%
Total	**100%**	**100%**	**100%**	**n/a**	**n/a**	**n/a**	**82.9%**	**68.6%**	**73.6%**

1 R Cox joined the Company on 2 April 2024 and joined the Board on 22 May 2024. He was entitled to a pro-rated bonus from his date of joining the Company to 31 December 2024.

2 D Stirling resigned from the Board on 22 May 2024 and remained an employee of the Company until 31 October 2024. His bonus was pro-rated to reflect the period of employment. The amount in the single figure table shows the portion of his bonus received for the period he was a Director and the remainder is disclosed in the Payments made to past Directors section.

3 This metric excludes MuCell.

DIRECTORS' REMUNERATION REPORT (CONT.)

The table below sets out the targets and performance for the Executive Directors.

Strategic financial metrics – R Cox, D Stirling and G McGrath

	Weighting (% of total bonus)					Scoring		
Measure	**R Cox**	**D Stirling**	**G McGrath**	**Objective**	**Performance**	**R Cox**	**D Stirling**	**G McGrath**
MEL/ReZorce® opportunity	10%	15%	10%	**R Cox and G McGrath** Subjectively assessed against the following key criteria taken as a whole (i.e. success or failure on these individual criteria may not result in a portion of the bonus being paid or not being paid, depending on the overall outcome): • deliver planned development milestones to agreed spend • secure a strategic partner agreement. **D Stirling** • investment model produced and signed off by end of June 2024 and investment roadshows completed by the end of September 2024 • obtain a minimum of two credible investment options by the end of 2024.	R Cox[1]: Partially achieved	9.3%	0.0%	0.0%
Market opportunity	n/a	5%	n/a	Create a market opportunity map and a recommendation of the "Top 3" non-Footwear opportunities in relation to ShinCell technology.	Achieved	n/a	5.0%	n/a
Three and five years strategic plan	5%	n/a	5%	Submit the plans to the Board for approval.	Achieved	5.0%	n/a	5.0%
Employee engagement	5%	n/a	n/a	Drive a 10% improvement in employee engagement across Zotefoams using the NPS format (current Net Promoter Score: 45).	Achieved	5.0%	n/a	n/a
Support onboarding of new Group CEO	n/a	n/a	5%	Provide support in the onboarding process for the new Group CEO to ensure a smooth transition. This included a financial introduction to the business and support in drafting and enabling the implementation of a new strategy.	Achieved	n/a	n/a	5.0%

1 Recognising R Cox's individual contribution following the departure of D Stirling in enabling the Board to conclude on the direction of the ReZorce project, the Committee has concluded that 9.3% of this element of his bonus would vest equating to £30,000. This work was critical in enhancing future prospects of the Company and this decision has enabled the Company to pivot, making significant cash savings that can be directed to our refreshed growth strategy as presented at our capital markets day in March.

The annual bonus was based on base salary before salary sacrifice. The maximum opportunity for the bonus was 100% of salary. 33% of the bonus is deferred into shares held in trust for three years under the DBSP. Full details of the operation of the DBSP are set out in the Directors' Remuneration Policy.

2024	Cash bonus (£)	Deferred bonus (£)	Total bonus (£)
R Cox[1]	179,026	88,177	267,203
D Stirling[1]	77,309	38,077	115,386
G McGrath	138,074	68,006	206,080

1 Figures for R Cox and D Stirling shown above reflect pro-rated amounts aligned to the single figure table.

In assessing whether the outcome generated by the annual bonus was fair in the context of broader performance, the Committee took into account the underlying financial performance of the Group and the wider stakeholder experience (including, but not limited to, the shareholder experience) over the course of the year. As set out above, significant progress has been made over the year to set Zotefoams up to deliver long-term sustainable success and, with the exception of the above adjustment, the Committee felt that the formulaic outcome was an appropriate reflection of performance delivered. It has, therefore, not exercised any further discretion in relation to incentive outcomes during the year.

LTIP

The 2022 LTIP award was subject to three performance conditions measured over the three financial years ended 31 December 2024: 30% of the award was subject to relative TSR against the FTSE SmallCap Index (excluding investment trusts), 50% of the award was subject to an EPS growth target and 20% of the award was subject to a ROACE growth target. Performance is measured over a three-year period and the restricted shares will be released to the participant after two years, to the extent that TSR, EPS and ROACE targets over the period have been met, together with additional shares that represent the dividends that would have been paid during the performance period on the restricted shares that have been released.

The total award vesting is the sum of the awards for TSR, EPS and ROACE. Where performance is below the threshold point for any performance condition, then no part of the award vests in relation to that performance condition. Between the threshold point and the maximum, the award vests on a sliding scale basis.

The table below summarises the performance criteria for the 2022 award, which is due to vest on 29 April 2025.

	Threshold[1]		Maximum (100%)			
	Performance target	**% of award vesting**	**Performance target**	**% of award vesting**	**Achievement**	**Level of vesting (% maximum)**
Relative TSR performance[1]	Median performance against peer group	6%	Upper quartile performance against peer group	30%	Between median and upper quartile performance against peer group (-5.9%)	6.47%
Adjusted EPS[2]	15p	0%	25p	50%	33.7p[2]	50%
ROACE	9%	0%	15%	20%	16.0%[3]	20%
					TOTAL	**76.47%**

1 Threshold for TSR element of 20% of maximum; 0% for other measures.
2 Based on excluding MEL losses and adjusting for a constant tax rate of 19%.
3 ROACE excludes MEL.

Based on the above level of performance, the 2022 LTIP will vest at 76.47%. The Committee considered the formulaic out-turns under the LTIP relative to Group and individual performance and determined that no discretion should be exercised.

Scheme interests granted during 2024 (audited)

The table below sets out details of scheme interests granted to the Executive Directors during 2024:

	Type of award	**Date of grant**	**Number of shares granted**	**Face value[1] (£)**
D Stirling	Deferred bonus[2] (unconditional shares)	08.05.2024	30,964	129,739
G McGrath			19,223	80,544

	Type of award	**Date of grant**	**Number of shares granted**	**Face value[1] (£)**	**Face value (% of salary)**	**Threshold for vesting (% of face value)**	**Performance condition**	**End of performance period**
R Cox	LTIP[3] (conditional shares)	08.05.2024	154,007	645,289	150	20% of maximum (further details set out below)	35% based on relative TSR growth.[4] 45% on adjusted EPS compound growth,[5] 15% on ROACE[6] and 5% on sustainable product development.[7]	31.12.2026
G McGrath			100,167	419,700	150			

1 Face value calculated using the average share price for the period 30 April 2024 to 7 May 2024 (£4.19). The share price was £4.11 on 8 May 2024.
2 Awards vest on the third anniversary of grant. There are no performance conditions for these awards.
3 Award is subject to a three-year performance period and, subject to performance, is released after a two-year post-vesting holding period.
4 Relative TSR growth is measured against the FTSE SmallCap Index (excluding investment trusts). The threshold point for relative TSR performance is median performance against the peer group, where 7% of the award will vest, to upper quartile performance against the peer group, where the maximum of 35% of the award will vest.
5 Adjusted EPS is the EPS for the financial year ending 31 December 2026. The threshold point is 5% p.a. compound growth, where 9% of the award will vest, to the maximum 15% p.a. compound growth, where 45% of the award will vest. In line with the approach for previous LTIP awards, the EPS targets have been set based on a constant tax rate reflecting the significant deviation of the reported tax rate. The Committee retains the discretion to override this where it considers it appropriate.
6 Return on average capital employed (ROACE) is defined as operating profit before exceptional items for the year, divided by the average sum of its equity, net debt and other non-current liabilities for the beginning and end of the year. This measure excludes acquired intangible assets and their amortisation cost. The threshold point is average ROACE of 11%, where 3% of the award will vest. Maximum vesting occurs for average ROACE of 16%, where 15% of the award will vest.
7 Sustainable product development is defined as the development of products valued by Zotefoams' customers for their use-phase resource efficiency (defined by the Sustainability Accounting Standards Board) as a product that, through its use, can be shown to improve energy efficiency, eliminate or lower greenhouse gas (GHG) emissions, reduce raw materials consumption, increase product longevity or reduce water consumption. The threshold point is 5% of revenue, where 1% of the award will vest, to the maximum 6% of revenue, where 5% of the award will vest.

DIRECTORS' REMUNERATION REPORT (CONT.)

Total pension entitlements (audited)

The Zotefoams Defined Benefit Pension Scheme (the "DB Scheme") was closed to the future accrual of benefits as from 31 December 2005. At this time, all active members left the DB Scheme and were granted preserved pensions payable from their normal retirement age (or immediately, if the member had reached normal retirement age).

The following Director was a member of the DB Scheme during the year.

	Accrued pension at 31 December 2024 (£ p.a.)	Gross increase in pension (£)	Increase in accrued pension net of CPI inflation (£)	Change in value over the year (£)
D Stirling	27,152	1,705	0	0

Notes

(1) The pension entitlement shown is that which would be paid annually on retirement at normal retirement age (or immediately upon late retirement where applicable), based on service to 31 December 2005 (the date the DB Scheme was closed to future accrual), pensionable salary increases to 31 March 2018 (the date salary linkage ceased) and including statutory increases to the year-end but excluding any future increases under the Rules of the Scheme.

(2) As required by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the pension input amount has been calculated using the method set out in section 229 of the Finance Act 2004(a) where:

– "pension input period" is the year ended 31 December 2024; and

– in the application of section 234 of the Act, the figure 20 is substituted for the figure 16.

(3) The following is additional information relating to the Director's pension from the DB Scheme:

(a) Normal retirement age is 65.

(b) On death before retirement, a spouse's pension is payable of one half of the member's preserved pension at leaving, revalued from leaving to the date of death. On death in retirement, a spouse's pension is payable of one half of the member's pension at death, without reduction for any part of the member's pension commuted for cash at retirement.

(c) Members' Guaranteed Minimum Pensions increase at statutory rates. Other pensions increase in payment at 5% p.a., or the increase in the Retail Prices Index (RPI) if lower.

(d) From 1 January 2006, active employee members were able to pay contributions to the DC Scheme set up by the Company in order to receive retirement benefits. The Company also contributes to this arrangement. Details of the contributions made into this Scheme have been disclosed in the single figure calculation and are not included in the above disclosure.

Payments made to past Directors (audited)

Further to the announcement on 26 March 2024, D Stirling stepped down as Group CEO and as a Director of Zotefoams with effect from 22 May 2024. He remained an employee until 31 October 2024.

The remuneration he received for the portion of the year for which he was a Director (i.e. to 22 May 2024) is disclosed in the single figure table. The following arrangements applied for the period from 23 May to 31 October 2024:

- Salary, benefits and pension continued to be paid until 31 October 2024. This amounted to £189,790 in respect of salary, £7,838 in respect of benefits and £13,285 in respect of pension. He also received a payment of £13,195 in respect of holiday accrued but not taken.
- He was entitled to receive a bonus for 2024, pro-rated for the period to 31 October 2024. For the period from 23 May 2024 to 31 October 2024, his bonus was based 100% on performance against individual objectives. These were the same individual objectives that applied to his bonus for the period to 22 May 2024. The performance outcomes are shown on pages 89 and 90. The value of the bonus received in relation to this period was £47,637, of which one-third is subject to deferral in the usual way.
- He received a payment in respect of accrued by untaken holiday at the time he ceased employment.

Payments for loss of office (audited)

D Stirling

The arrangements in connection with the cessation of D Stirling stepping down as Group CEO and as a Director of Zotefoams are set out above (in the payments to past Directors section) and below.

- D Stirling did not receive any payment in lieu of notice.
- The Committee exercised its discretion to determine that D Stirling was a "good leaver" for the purposes of determining the treatment of his outstanding DBSP and LTIP incentive awards. His outstanding DBSP awards were retained and will vest on their usual vesting dates with no acceleration. His outstanding LTIP awards, granted in 2022 and 2023, will vest on their usual vesting dates, pro-rated for the period to 31 October 2024 and tested for performance in the usual way. The amount vesting in relation to his 2022 LTIP is shown in the single figure table.
- He did not receive an LTIP award for 2024.
- A contribution of £3,000 plus VAT was made toward his legal fees in relation to the settlement agreement.
- He received no other remuneration payments or payments for loss of office as a consequence of stepping down from the Board.
- He will comply with the post-employment shareholding requirement for the period of two years from ceasing to be a Director of the Company.

Statement of Directors' shareholding and share interests (audited)

In line with the Remuneration Policy adopted at the 2023 AGM, current Executive Directors are required to hold shares in the Company equivalent to 200% of base salary, with a five-year period to build up this holding from: (1) appointment to the Board; or (2) the date of the 2017 AGM (17 May 2017). A newly appointed Executive Director will have five years from the date of his or her appointment to the Board to build up such a holding. Executive Directors are expected to retain their full shareholding requirement for one year post cessation of employment and 50% for two years after leaving, unless the shares were acquired from LTIP and DBSP awards granted from 1 January 2023. If the shares were acquired from LTIP and DBSP awards granted from 1 January 2023, Executive Directors are expected to retain their full shareholding requirement for two years post cessation of employment.

Throughout 2024, D Stirling and G McGrath complied with the Policy, holding respectively 366% and 272% of base salary at 31 December 2024. R Cox, who joined the Company in 2024, is making progress towards meeting the requirement and holds 3% of base salary at 31 December 2024.[1]

1 Includes shares owned outright and interests in share incentive scheme without performance conditions. Calculated on the basis of the average share price over the three months to 31 December 2024 of £3.59.

The tables below set out the Directors' interests (including those of their connected persons) in Zotefoams shares as at 31 December 2024. There were no changes in the Directors' interests between the year end and the date of this report.

Executive Directors

	Shares owned outright[1]	Interest in share incentive schemes without performance conditions[2]	Interest in share incentive schemes with performance conditions[3]
R Cox	3,325	30	154,007
D Stirling	298,933	262,989	66,599
G McGrath	103,184	197,127	182,654

1 Includes Partnership Shares, Dividend Shares and vested Matching Shares under the SIP.

2 Comprises: vested Company Share Option Plan awards, DBSP shares, unvested Matching Shares under the SIP, the unvested portion of the 2022 LTIP awards due to vest on 29 April 2025 and the unvested portion of the 2020 and 2021 LTIP awards.

3 Comprises: unvested LTIP shares.

Non-Executive Directors

	Shares owned outright
J Carling	3,323
L Drummond	14,723
D Robertson	7,302
M Swift	11,827
C Wall	7,936

DIRECTORS' REMUNERATION REPORT (CONT.)

Scheme interests (audited)

The table below provides details of the current position of outstanding awards made to the Executive Directors who served in the year under review:

	Scheme[1]	As at 31 Dec 2023	Date of exercise or release	Granted during the year	Exercised or released	Lapsed or cancelled	As at 31 Dec 2024	Market price on exercise date	Exercise price	Date from which exercisable	Expiry date
R Cox	LTIP (2024)	–	–	154,007	–	–	**154,007**	–	–	08.05.2027	n/a
	SIP[3]	–	–	30	–	–	**30**	–	–	–	–
D Stirling	LTIP (2020)	30,457	–	–	–	–	**30,457**	–	–	21.09.2023	n/a
	LTIP (2021)	115,192	–	–	–	(34,558)	**80,634**	–	–	26.04.2024	n/a
	LTIP (2022)[4]	159,111	–	–	–	(26,094)	**133,017**	–		29.04.2025	n/a
	LTIP (2023)[4]	130,076	–	–	–	(63,477)	**66,599**	–		18.04.2026	n/a
	DBSP (2020)[2]	3,678	08.05.2024	–	(3,678)	–	**–**	£4.32	–	08.04.2024	n/a
	DBSP (2021)	4,207	–	–	–	–	**4,207**	–	–	29.04.2025	n/a
	DBSP (2022)	15,009	–	–	–	–	**15,009**	–	–	18.04.2026	n/a
	DBSP (2023)	–	–	30,964	–	–	**30,964**	–	–	08.05.2027	n/a
	SIP[3]	989	–	90	–	(1,079)	**–**	–	–	–	n/a
G McGrath	CSOP	10,344	–	–	–	–	**10,344**	–	£2.90	05.04.2019	05.04.2026
	LTIP (2020)	20,154	–	–	–	–	**20,154**	–	–	21.09.2023	n/a
	LTIP (2021)	76,676	–	–	–	(23,003)	**53,673**	–	–	26.04.2024	n/a
	LTIP (2022)	105,910	–	–	–	–	**105,910**	–	–	29.04.2025	n/a
	LTIP (2023)	82,487	–	–	–	–	**82,487**	–	–	18.04.2026	n/a
	LTIP (2024)	–	–	100,167	–	–	**100,167**	–	–	08.05.2027	n/a
	DBSP (2020)[2]	3,303	08.05.2024	–	(3,303)	–	**–**	£4.32	–	08.04.2024	n/a
	DBSP (2021)	2,036	–	–	–	–	**2,036**	–	–	29.04.2025	n/a
	DBSP (2022)	10,323	–	–	–	–	**10,323**	–	–	18.04.2026	n/a
	DBSP (2023)	–	–	19,223	–	–	**19,223**	–	–	08.05.2027	n/a
	SIP[3]	941	–	111	–	–	**1,052**	–	–	–	n/a

1 Details of the performance conditions applying to each LTIP award can be found in the Directors' Remuneration report for the relevant year.

2 Shares were exercised on 8 May 2024 at a market price of £4.32.

3 Matching Shares under the SIP. Participants buy Partnership Shares monthly under the SIP. The Company provides one Matching Share for every four Partnership Shares purchased. These Matching Shares are first available for vesting three years after being awarded or on leaving if the person is considered to be a "good leaver".

4 D Stirling stepped down from the Board on 22 May 2024 and left the employment of Zotefoams plc on 31 October 2024. Share awards were pro-rated to 31 October 2024 to reflect a reduced performance period.

Details of Directors' service contracts and appointment letters (unaudited)

The following table sets out the details of the service contracts and appointment letters for the Directors as at 31 December 2024. Copies of the Directors' service contracts and appointment letters are available for inspection at the Company's registered office.

Director	Date of current service contract or appointment letter[1]	Unexpired terms at 31 December 2024
J Carling	1 April 2023	1 year and 5 months
R Cox	2 April 2024	–
L Drummond	17 January 2023	1 year and 5 months
G McGrath	15 April 2019	–
D Robertson	1 April 2023	1 year and 5 months
M Swift	29 September 2023	1 year and 5 months
C Wall	1 April 2023	1 year and 5 months

1 Appointment letters are currently for terms of three years. Non-executive directors' appointments and subsequent re-appointments are subject to annual re-election by shareholders at each AGM.

External appointments

During 2024, Executive Directors did not receive any fees from external appointments.

Change in remuneration of Group Directors and employees (unaudited)

The table below illustrates the percentage change in salary and benefits for the Group Directors from the prior years compared with the average percentage change for the UK workforce.

The employee subset consists of an average of the UK workforce employees for the period under review. This subset has been selected as this employee representative group is the largest group of employees within the organisation. The Non-Executive Directors receive no taxable benefits or annual bonus.

	% change in base salary (2024 to 2023)	% change in taxable benefit (2024 to 2023)	% change in annual bonus UK employees only (2024 to 2023)	% change in base salary (2023 to 2022)	% change in taxable benefit (2023 to 2022)	% change in annual bonus UK employees only (2023 to 2022)	% change in base salary (2022 to 2021)	% change in taxable benefit (2022 to 2021)	% change in annual bonus UK employees only (2022 to 2021)	% change in base salary (2021 to 2020)	% change in taxable benefit (2021 to 2020)	% change in annual bonus UK employees only (2021 to 2020)
R Cox	–	–	–	–	–	–	–	–	–	–	–	–
D Stirling	(58.4)	(59.0)	(70.4)	15.4	7.3	6.4	5.1	2.2	10.4	7.0	(3.5)	(14.1)
G McGrath	9.0	6.2	(14.8)	11.1	5.4	6.6	5.4	1.8	10.1	7.4	(1.9)	(53.7)
J Carling	9.0	–	–	12.7	–	–	2.5	–	–	2.5	–	–
L Drummond[1]	47.9	–	–	–	–	–	–	–	–	1.7	–	–
D Robertson	9.7	–	–	15.2	–	–	2.5	–	–	1.7	–	–
M Swift[1]	27.2	–	–	–	–	–	–	–	–	–	–	–
C Wall[2]	9.0	–	–	12.7	–	–	2.5	–	–	61.6	–	–
Average employee	8.3	(7.4)	(18.3)	8.7	8.4	21.8[3]	4.7	0.0	512.1[3]	2.5	0.0	4.7

1 L Drummond was appointed to the Board in January 2023. M Swift was appointed to the Board in September 2023. Their 2024 increases reflect that they were only paid their respective fees in 2023 for part of the year.

2 C Wall was appointed to the Board in May 2020. Her 2021 increases reflects that she was only paid her fees for part of the prior year.

3 The mean staff bonus in the UK was 6.35% of base salary in relation to 2023 (2022: 7.24% of base salary).

4 The mean staff bonus in the UK was 7.24% of base salary in relation to 2022 (2021: 1.07% of base salary).

The UK employees' salary review is negotiated with the unions and a 5.0% increase was agreed in relation to 2024. For 2025, the annual salary increase for UK employees is still pending, but will be effective 1 April 2025.

CEO pay ratio

Companies with more than 250 employees are required to publish the CEO-to-employee pay ratio. The ratio compares the total remuneration of the Group CEO against the remuneration of the median employee, and employees in the lower and upper quartiles. These pay ratios form part of the information that is provided to the Committee on broader employee pay policies and practices. The Committee has considered the pay data and concluded that the current ratio is proportionate and allows the business to retain high-calibre individuals capable of delivering the growth strategy.

The ratios set out below were calculated using the Option A methodology, which uses the pay and benefits of all UK employees as it provides the most accurate information and representation of the ratios. The employee pay data used was based on the total remuneration of all Zotefoams plc's full-time employees as at 31 December 2024. The Group CEO's total remuneration has been taken from the single total figure of remuneration for 2024, as disclosed on page 88.

The Committee considers that the median CEO pay ratio is consistent with the relative roles and responsibilities of the Group CEO and the identified employees. Base salaries of all employees, including our Executive Directors, are set with reference to a range of factors, including market practice, location, experience and performance in role. The Group CEO's remuneration package is weighted towards variable pay (including the annual bonus, LTIP and DBSP) due to the nature of the role, which means that the ratio is likely to fluctuate depending on the outcomes of incentive plans in each year. The increase in the total pay ratio at the 25th, 50th and 75th percentiles since 2021 is due to no LTIP vesting, low annual bonus pay-out in 2021 and higher LTIP and annual bonus outcomes in both 2022 and 2023.

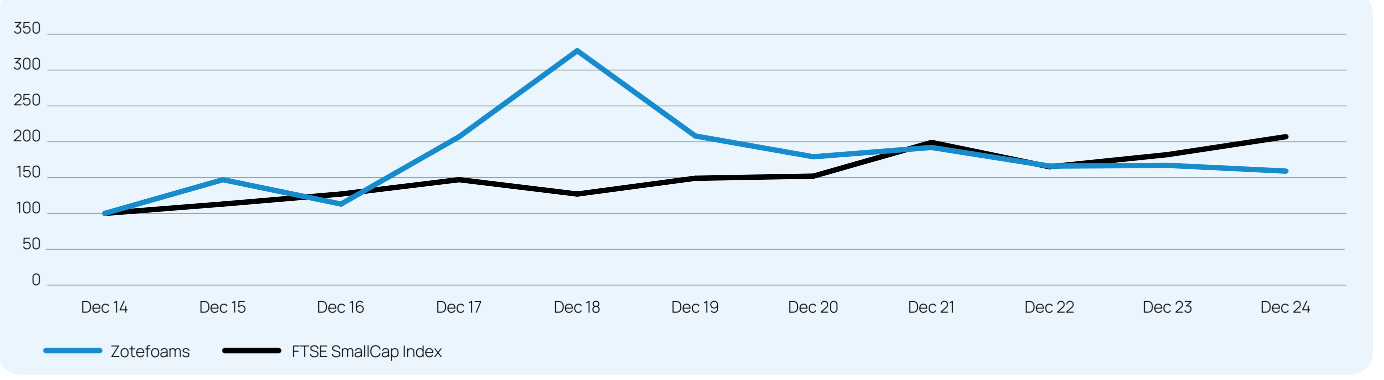
Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2024 – Base salary	Option A	12:1	10:1	8:1
2024 – Total pay	Option A	30:1	25:1	19:1
2023 – Total pay	Option A	30:1	25:1	19:1
2022 – Total pay	Option A	23:1	20:1	15:1

DIRECTORS' REMUNERATION REPORT (CONT.)

Pay data (£'000)	Base salary	Total pay
CEO's remuneration	426,565	1,171,025
UK employees 25th percentile	35,663	38,665
UK employees 50th percentile	42,000	45,946
UK employees 75th percentile	54,841	60,157

Historical TSR performance and Group CEO remuneration outcomes (unaudited)

The graph below compared the TSR of Zotefoams against the FTSE SmallCap Index (excluding investment trusts), which is considered the most appropriate choice of index by the Remuneration Committee due to the Group's size and membership of this index.



Workforce alignment

While it remains important to set base salaries on a market-competitive basis reflective of the size and complexity of the business, the Committee has considered alignment of Executive remuneration with workforce reward structures.

The table below illustrates the Group CEO's single figure for total remuneration, annual bonus pay-out and LTIP vesting as a percentage of maximum opportunity.

	Group CEO's single total figure of remuneration (£)	Annual bonus pay-out (% of maximum)	LTIP vesting (% of maximum)
2024 (R Cox)	**648,339**	**83.0**	**n/a**
2024 (D Stirling)	**651,851**	**67.0**	**76.4**
2023 (D Stirling)	1,089,067[1]	95.0	70.0
2022 (D Stirling)	757,851	91.6	34.7
2021 (D Stirling)	441,369	22.0	0.0
2020 (D Stirling)	491,548	28.0	23.5
2019 (D Stirling)	637,473	37.1	47.0
2018 (D Stirling)	794,905	35.1	100.0
2017 (D Stirling)	676,816	84.4	58.0
2016 (D Stirling)	497,545	55.0	37.7
2015 (D Stirling)	418,568	44.4	50.0

1 The Group CEO's single total figure of remuneration for 2023 has been restated.

Relative importance of spend on pay (unaudited)

The table below illustrates the year-on-year change in total Executive Directors' remuneration and Executive Directors' remuneration compared with profit after tax and distributions to shareholders for 2024 and 2023.

	% change 2023/2024	2024 £'000	2023 £'000
Total remuneration[1]	10%	31,324	28,460
Executive Directors' remuneration[2]	14%	2,132	1,873
Profit after tax	(130%)	2,755	9,242
Shareholder distributions[3]	2.6%	3,542	3,350

1 Social security costs paid by the Group have been excluded from this figure.

2 The Executive Directors' remuneration for 2023 has been restated to reflect the restated single total figure of remuneration for 2023.

3 Shareholder distributions refer to the dividends paid during the year.

Committee role and advisers (unaudited)

The Group has established a Remuneration Committee, which is constituted in accordance with the recommendations of the UK Corporate Governance Code. J Carling, L Drummond, D Robertson, M Swift and C Wall were members of the Committee as at 31 December 2024 and to the date of this report. All the members are independent Non-Executive Directors, with the exception of L Drummond, who was independent on appointment as Chair of the Company. The Committee was chaired by M Swift throughout the year. The Committee's Terms of Reference were last updated in August 2023 and may be found on the Group's website.

None of the Committee members have any personal financial interest (other than fees paid as disclosed on page 88 and as shareholders) in the Company, nor do they have any interests that may conflict with those of the Group, such as cross directorships. None of the Committee members are involved in the day-to-day management of the business. The Committee makes recommendations to the Board on remuneration matters. No Director is involved in any decision concerning his or her own remuneration.

The Remuneration Committee met four times in 2024, with full attendance at each meeting. The Company Secretary acts as secretary to the Committee.

In 2024, the Remuneration Committee carried out the following work:

- approved the remuneration package of a new Group CEO
- approved the terms of a settlement agreement with the departing Group CEO
- completed a review of the remuneration arrangements for the Executive Directors and the wider workforce
- approved the 2023 Directors' Remuneration report
- considered and approved the annual bonus for the Group Executive Team
- considered and approved the grant of awards under the LTIP and the DBSP in 2024 and the vesting of awards made in 2021 under the LTIP
- considered the salary levels of the Group Executive Team and awarded pay rises in line with the general workforce pay rise level
- approved appropriate market-level remuneration for new members of the Group Executive Team
- considered the salary review of the Company Secretary and awarded a pay increase in line with the pay increase given to the wider workforce
- considered the performance targets for the 2024 Executive Directors' bonus and LTIP awards.

Deloitte LLP (Deloitte) was engaged in 2016 to assist and provide advice to the Remuneration Committee in relation to Directors' remuneration. Following a retendering exercise involving three firms in 2022, they continued to work with the Committee through 2023 and 2024 in respect of general remuneration advice. Deloitte is a member of the Remuneration Consultants Group and adheres to its Code on Executive Remuneration Consulting in the UK. The Committee is comfortable that Deloitte does not have connections with Zotefoams plc that may impair its objectivity and independence. Deloitte also provided remuneration advice to the Company's management during 2024.

Total fees for advice provided in respect of material assistance to the Committee amounted to the following:

	2024 (£)	2023 (£)
Deloitte LLP	36,250	25,000
Total	**36,250**	**25,000**

Shareholder voting (unaudited)

The table below sets out the results of the votes received on the Directors' Remuneration Policy approved at the 2023 AGM as well as the 2023 Directors' Remuneration report at the 2024 AGM:

	Directors' Remuneration Policy	%	Report on remuneration	%
Votes in favour	30,822,412	95.22	27,370,667	96.05
Votes against	1,530,762	4.73	1,121,323	3.93
Discretion	15,969	0.05	4,989	0.02
Total votes	32,369,143	100.00	28,496,979	100.00
Votes withheld	1,101	–	7,221	–

DIRECTORS' REPORT
THE DIRECTORS PRESENT THEIR ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

Results and dividends
Before exceptional items, the profit attributable to shareholders for the year amounted to £12.4m (2023: £9.2m). After exceptional items, the loss attributable to shareholders for the year amounted to £2.8m. An interim dividend of 2.38p (2023: 2.28p) per share was paid on 7 October 2024. The Directors recommend that a final dividend of 5.10p (2023: 4.90p) per share be paid on 2 June 2025 to shareholders who are on the Company's register at the close of business on 2 May 2025, resulting in a total dividend of 7.48p per share for the year (2023: 7.18p). For further information on the performance of the Company refer to the Strategic Report on pages 1 to 71, which should be read as forming part of the Directors' report.

Directors
The Directors who were in office during the year were:

L Drummond
J Carling
R Cox (appointed 22 May 2024)
G McGrath
D Robertson
D Stirling (resigned 22 May 2024)
M Swift
C Wall

All Directors other than R Cox and D Stirling were in office during the financial year and up to the date of signing of the financial statements. The biographical details of Board Directors in post as at 7 April 2025 are set out on pages 72 and 73.

The appointment, replacement and powers of the Directors are governed by the Company's Articles of Association (the "Articles"), the UK Corporate Governance Code, the Companies Act 2006, prevailing legislation and resolutions passed at the Annual General Meeting (AGM) or other general meetings of the Company.

The Articles give the Directors power to appoint and replace Directors. Under the Terms of Reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board of Directors. The Articles also require new Directors to retire and submit themselves for election at the first AGM following their appointment and for existing Directors to retire and, if they so wish, submit themselves for re-election at every AGM thereafter.

R Cox and G McGrath, the Executive Directors, have service contracts which are terminable on twelve months' written notice. D Stirling resigned as Executive Director on 22 May 2024 and left the employment of the Group on 31 October 2024. All other Directors have letters of appointment which are terminable on six months' written notice.

The Company maintained Directors' and Officers' Liability Insurance cover throughout 2024. The Company has issued Deeds of Indemnity in favour of all Directors. These Deeds were in force throughout the year ended 31 December 2024 and remain in force as at the date of this report. These Deeds, as well as the service contracts and the Company's Articles of Association, are available for inspection during normal business hours at the Company's registered office and will be available at the AGM.

Conflicts of interest
All Directors submit details to the Company Secretary of any new situations, or changes to existing ones, which may give rise to an actual or potential conflict of interest with those of the Company.

Where an actual, or potential, conflict is approved by the Board, the Board will normally authorise the situation on the condition that the Director concerned abstains from participating in any discussion or decision affected by the conflicted matter. Authorisation of a conflict is only given to Directors who are not interested in the matter. No new conflicts of interest were noted during 2024 or between the year end and the date of signing of the financial statements.

Amendment to the Articles of Association
The Company's Articles of Association may only be amended by a special resolution of the shareholders passed in general meeting and were last amended in May 2021.

Corporate governance report

The Corporate governance report on pages 74 to 76 should be read as forming part of the Directors' report.

Employees
To safeguard employee welfare, the Group has documented and well-publicised policies on occupational health and safety, the environment and training. The Group operates an equal opportunities, single-status, employment policy and an open management style.

Zotefoams operates an equality, diversity and inclusion policy and we believe diversity (ethnicity, age, gender, language, sexual orientation, gender re-orientation, religion and socio-economic status) of the employees promotes a better working environment, which in turn leads to innovation and business success. Applications for employment by disabled persons are always fully considered and, in the event of an employee becoming disabled, every effort is made to ensure that their employment with Zotefoams continues and that appropriate training and support is provided where necessary. Zotefoams' policy is that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Zotefoams places considerable value on the involvement of its people and holds formal and informal meetings to brief them on matters affecting them as employees and on the various factors (including financial and economic factors) affecting the performance of the Group; it also ensures that their views are taken into account in making decisions which are likely to affect their interests. In the UK, there is a Joint Consultative Committee (JCC), which comprises an employee representative from each department or group of departments. The JCC meets regularly and considers a wide range of matters affecting the employees' current and future interests. From January 2019, J Carling has attended meetings of the JCC in his capacity as Board representative, to provide employees with an opportunity to engage with the Board and allow the Board to have regard to employees' views in their decision-making.

In order to encourage employees to share in the success of Zotefoams, an all-employee share incentive scheme was established in 2015 in the UK. Under the scheme, employees can purchase shares each month directly from their salary. For every four shares bought, one further share is awarded. The shares vest on the third anniversary of award and are normally exempt from tax after five years.

The Company operates to a number of recognised industry standards.

Further details of our certifications are provided in our ESG report on page pages 56 to 71.

Relationships with others
In its decision-making, the Board considers how the Group fosters its business relationships with suppliers, customers and others in order to achieve good-quality outcomes.

Further information on this topic can be found on pages 53 to 55 of the Strategic Report (the S172(1) statement), which is incorporated into this Directors' report by cross-reference.

Human rights

Zotefoams does not, at present, have a specific policy on human rights; however, it believes in recognising and respecting all human rights as defined in international conventions. This belief is embedded within the organisation's values and ethical policies. We conduct every aspect of our business with honesty, integrity and openness, respecting human rights and the interests of our employees, customers and other stakeholders, according to the principles set out in our Ethics Policy, which covers:

- ensuring that our employees have the freedom to join a union, associate or bargain collectively without fear of discrimination against the exercising of such freedoms
- not using forced labour or child labour
- prohibiting the use of worker-paid fees and the confiscation of workers' original identification documents
- complying with the Employer Pays Principle and
- respecting the rights of privacy of our employees and protecting access to and use of their personal information.

The Company operates an Equality, Diversity and Inclusion Policy and a Dignity at Work Policy, which promote the right of every employee to be treated with dignity and respect and not be harassed or bullied. We work hard to ensure that goods and services are from sources that do not jeopardise human rights, safety or the environment, and expect our suppliers to observe business principles consistent with our own.

Business ethics

Zotefoams is committed to high standards of business conduct and aims to maintain these standards across all of our operations throughout the world. Under our Ethics Policy, we state that we will:

- operate within the law
- not tolerate any discrimination or harassment
- not make any political donations or grant public donation for the purpose of political advocacy of any kind and confirm that no political donations or contributions to political parties have been made during the year
- not make or receive bribes
- avoid situations that might give rise to conflicts of interest
- not enter into any activity that might be considered anti-competitive
- aim to be a responsible company within our local communities
- support and encourage our employees to report, in confidence, any suspicions of wrongdoing.

Supporting our Ethics Policy, we have policies on anti-bribery and corruption, anti-fraud, anti-competitive behaviour, employee share trading and whistleblowing. We are a signatory to the Employer Pays Principle, supporting our long-standing Group-wide commitment to recruitment costs being borne by the employer, not the employee.

In 2020, we introduced a declaration of adherence to the principles laid out in the Anti-Bribery and Corruption, Anti-Fraud and Ethics policies in the business dealings with all new suppliers. Our modern slavery enquiries extend to suppliers to our subsidiary entities in Poland, the USA, China and India. Suppliers' ethical disclosures will remain under review.

Scan the QR code to see our Modern Slavery statement
zote.info/3OGGN5N

Suppliers' ethical disclosures will remain under review.

Substantial shareholdings

In accordance with the Disclosure and Transparency Rules DTR 5, the Company, as at 7 April 2025, had received notices of the following material interests of 3% or more in the issued ordinary share capital:

	Ordinary shares of 5.0p	Percentage of issued share capital
Schroder Investment Management	9,530,236	19.51
Raymond James Investment Services	5,430,304	11.18
BGF Investments	3,231,270	6.62
Premier Miton Investors	2,238,359	4.58
Mr Marc & Mrs Claire Downes	2,120,183	4.34
Mr Nicholas Beaumont-Dark	1,909,347	3.91
Interactive Investor	1,896,137	3.88
Hargreaves Lansdown Asset Management	1,664,824	3.41
NFU Mutual Investment Managers	1,170,808	2.40
Charles Stanley	1,151,273	2.36

Directors' shareholdings are shown in the Directors' Remuneration report on page 93.

Research and development (R&D)

The amount spent by the Group on R&D in the year was £4.2m (2023: £3.0m). In the opinion of the Directors, £2.8m (2023: £2.2m) of this expenditure met the requirements for capitalisation under IAS 38, while £1.4m (2023: £0.8m) did not and was consequently expensed in the consolidated income statement.

Share capital and reserves (DTR7.2.6R)

The Company has one class of ordinary shares, which has no right to fixed income. Each share carries the right, on a poll, to one vote at general meetings of the Company. There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

At 31 December 2024, the Zotefoams Employees' Benefit Trust (EBT) held 133,573 shares (approximately 0.3% of issued share capital) (2023: 244,286 shares) to satisfy share plans as described in the Directors' Remuneration report. During the year, the EBT released 110,713 shares in respect of these share plans. In accordance with best practice, the voting rights on the shares held in the EBT are not exercised and the right to receive dividends has been waived.

At the AGM held on 22 May 2024, authority was given to the Directors to allot unissued shares in the Company up to a maximum amount equivalent to approximately two-thirds of the issued share capital of the Company. Authority was also given to the Directors to allot equity securities in the Company for cash without regard to the pre-emption provisions of the Companies Act 2006. Both authorities expire at the AGM to be held on 22 May 2025. The Directors seek new authorities for a further year, in line with market practice.

The Company was given authority at the 2024 AGM to purchase up to 4,884,623 of its ordinary shares. This authority will also expire on 22 May 2025 and, at the date of this Report, had not been used. In accordance with normal practice for listed companies, a special resolution will be proposed at this year's AGM to seek a new authority to make market purchases up to a maximum of 10% of the issued share capital of the Company.

DIRECTORS' REPORT (CONT.)

Subsidiaries and branches
Details of the joint ventures, subsidiaries and branches within the Group are given in the financial statements.

Treasury and financial instruments
Information in respect of the Group's policies on financial risk management objectives, including policies for hedging, as well as an indication of exposure to financial risk, is given in note 22 to the financial statements.

Future developments
Information on future developments for the Group has been set out in the Chair's Statement and the Group CEO's review on pages 22 to 29.

Greenhouse gas emissions
Information on the Group's greenhouse gas emissions may be found in the ESG report on page 61.

Pension schemes
Refer to the post-employment benefits section of the Group CFO's review on pages 36 and 37 and note 24 to the financial statements for information related to the Company's pension schemes.

In the UK, Zotefoams runs a number of defined contribution pension schemes. New joiners are eligible to join the Zotefoams Stakeholder Pension Scheme. In the USA, Zotefoams runs a 401k scheme for all employees. In other countries, employees participate in state-run schemes.

Finance costs capitalised
Finance costs of £0.1m were capitalised in the year (2023: none).

Events after the reporting period
As per note 28 to the financial statements, there were no events after the reporting period affecting the Group.

Disclosure of information to Auditor
The Directors who held office at the date of approval of this Directors' report confirm that, in so far as they are each aware, there is no relevant audit information of which the Company's External Auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's External Auditor is aware of that information.

Independent Auditor
A resolution to re-appoint PKF Littlejohn LLP as the Company's External Auditor will be proposed at the forthcoming AGM.

On behalf of the Board,

G McGrath
Director

7 April 2025

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE FINANCIAL STATEMENTS
THE DIRECTORS CONSIDER THE ANNUAL REPORT, TAKEN AS A WHOLE, TO BE FAIR, BALANCED AND UNDERSTANDABLE

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and Company financial statements in accordance with UK-adopted international accounting standards. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable UK-adopted international accounting standards have been followed subject to any material departures disclosed and explained in the financial statements departures disclosed and explained in the financial statements
- make judgements and accounting estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006.

The Directors are also responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the position and performance, business model and strategy of the Group and Company.

Each of the Directors in post as at 7 April 2025, whose names and functions are listed on pages 72 and 73 of the Annual Report, confirm that, to the best of their knowledge:

- the Consolidated and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company
- the Group CEO's review includes a fair review of the development and performance of the business and the position of the Group and Company. A description of the principal risks faced by the Group and the Company is provided on pages 38 to 50.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZOTEFOAMS PLC

Opinion

We have audited the financial statements of Zotefoams plc (the "parent company") and its subsidiaries (the "Group") for the year ended 31 December 2024 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Parent Company statements of financial position, the Consolidated and Parent Company statements of cash flows, the Consolidated and Parent Company statements of changes in equity, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2024 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and documenting an understanding of the Directors' going concern assessment process, including the controls over the review and approval of the budget and five-year plan;
- assessing the appropriateness of the duration of the going concern assessment period to 30 June 2026 and considering the existence of any significant events or conditions during and beyond this period; the Group undertakes a comprehensive five-year plan, and upon reviewing this plan, no concerns arise within the ensuing twelve-month period from the date of authorising the financial statements for issue;
- evaluating management's historical forecasting accuracy and the consistency of the going concern assessment with information obtained from other areas of the audit, such as our audit procedures on management's impairment assessments;
- testing the going concern assessment, including forecast liquidity, for mathematical accuracy;
- agreeing the underlying cash flow projections to management-approved forecasts and recalculating the impact on banking covenants and liquidity headroom for the base case scenario;
- assessing whether assumptions made were reasonable and appropriately severe, in light of the Group's relevant principal risks and uncertainties and our independent assessment of those risks;
- performing independent sensitivity analysis on management's key inputs and assumptions including applying incremental adverse cash flow sensitivities; these sensitivities included the impact of certain severe but plausible scenarios, evaluated as part of management's work on the Group's viability including major operational disruption, loss of key customer in the footwear segment, and foreign exchange risk;
- evaluating the amount and timing of identified mitigating actions available to respond to a severe downside scenario, such as ability to restrict capital expenditure, cash payments associated with dividends, bonus and share options and whether those actions are feasible and within the Group's control; and
- considering the appropriateness of management's downside scenario, to understand how severe conditions would have to be to result in a breach of liquidity and whether the reduction in EBITDA required has no more than a remote possibility of occurring.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the entities reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£700,000 (2023: £962,000)	£665,000 (2023: £817,000)
Performance materiality	£490,000 (2023: £674,000)	£465,500 (2023: £571,900)
Basis of materiality	5% of adjusted profit before tax (PBT) (2023: 7.5% of PBT)	5% of PBT (2023: 7.5% of PBT)
Rationale	Adjusted PBT (PBT before exceptional item) is the primary key performance indicator used by management in assessing the performance of the Group. As a profit-generating group, we consider the users of the financial statements, such as investors, will also consider adjusted PBT to be a key metric. Based on our assessment indicating minimal risk in the control environment, we have chosen to set performance materiality at 70% (2023: 70%) of the overall materiality, which we deem most appropriate.	PBT is the primary key performance indicator used by management in assessing the performance of the parent company. As a profit-generating company, we consider the users of the financial statements, such as investors, will also consider PBT to be a key metric. Based on our assessment indicating minimal risk in the control environment, we have chosen to set performance materiality at 70% (2023: 70%) of the overall materiality, which we deem most appropriate.

For each component in the scope of our Group audit, we allocated a performance materiality based on the relative significance of each component to the Group and aggregation risk. The range of performance materiality allocated across components was between £49,000 and £465,500 (2023: between £184,000 and £571,000). Certain components were audited to a local statutory audit materiality that was also less than our overall group performance materiality.

We agreed with the Audit Committee that we would report on the misstatements identified during our audit above £35,000 (2023: £48,000) for the Group financial statements and £35,000 (2023: £40,800) for the parent company financial statements as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Our approach to the audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain such as the impairment of intangible assets, valuation of the Defined Benefit Pension Scheme, including the assumptions used in those calculations, and valuation of deferred tax and share-based payments. We also addressed the risk of management override of controls, including among other matters, the consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

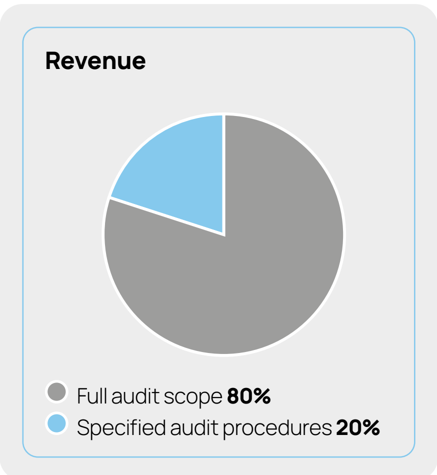
The Group's consolidated financial statements for 2024 include ten trading companies, including a joint venture. These comprise two trading companies in the UK, one in Europe, four in Asia, and three in the USA.

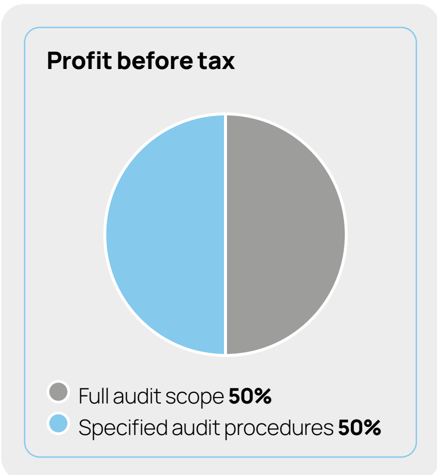
We performed audit procedures of the entire financial statements of the parent company, Zotefoams plc, and its subsidiary, Zotefoams Inc. This work was conducted from our London office by a team with relevant sector experience. We engaged PKF network firms and local auditors to assist with inventory count procedures at certain overseas components. Specifically, for the component in Poland, component auditors were engaged to perform physical verification of inventory and property, plant and equipment, as well as to assess compliance with laws and regulations, VAT and taxation.

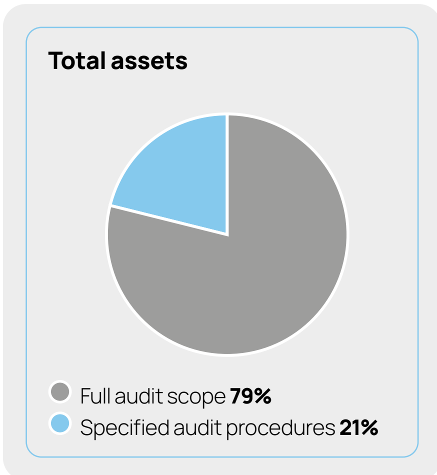
Additionally, we conducted specific scope procedures on the following entities: MuCell Extrusion LLC, Zotefoams Poland Sp. z o.o., Zotefoams Midwest LLC, Zotefoams T-FIT Material Technology (Kunshan) Limited, T-FIT Insulation Solutions India Private Limited, Zotefoams Denmark ApS, Zotefoams Operations Limited and Zotefoams International Limited. For these entities, we performed audit procedures on specific account balances, classes of transactions, or disclosures to ensure that all balances material to the Group were subject to appropriate audit procedures.

Our coverage is summarised below by Revenue, Profit before tax and Total assets.

The parent company is located in the United Kingdom and audited directly by the Group engagement team.







INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZOTEFOAMS PLC (CONT.)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our scope addressed this matter
Impairment of MuCell division Zotefoams invested significantly in developing ReZorce® technology, which was close to market trial phase and had gained interest from the packaging industry. This was evidenced by successful trials, the onboarding of Refresco as a joint development partner and multiple global awards. However, after unsuccessful attempts to find a strategic investing partner to support commercialisation, the Group announced its decision to pause investment in ReZorce in December 2024 and made the commercial decision to wind down the entire MuCell division, which includes MuCell Extrusion LLC and Zotefoams Denmark ApS. As disclosed in note 4 to the financial statements, an exceptional item of £15.2m has been recognised in respect of impairment of the development asset and the division. The assets in the business unit primarily comprise goodwill that arose on the acquisition of MuCell, and other assets principally relating to the development of ReZorce technology. Historically, our key audit matter has been limited to the risk on the carrying value of intangible assets. Due to the above developments, we have expanded the risk to the impairment assessment of all assets within the MuCell division, including closure and disposal costs. The assessment is highly judgemental as it requires management to assess the recoverable value of tangible and other assets, estimate the incidental disposal costs and the closure costs for the division, and determine the appropriate accounting treatment of these charges in accordance with IAS 36 "Impairment of Assets". Consequent to the impairment of the assets of the MuCell division, the carrying value of investments and receivables from MuCell held by the parent company, Zotefoams plc, also requires an impairment assessment in line with IAS 36 which involves using similar judgements to be made by the management as set out above. For more details refer to note 4.	Our work in this area included: • testing substantively the financial statement position of the MuCell division (prior to impairment charge) for accuracy and completeness; • obtaining and reviewing management's impairment assessment including closure and disposal costs; • challenging the key inputs, judgements and estimates made by management, specifically the treatment of closure of the business as a discontinued operation under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" or exceptional expense; the allocation of expenses as exceptional or operational expenses; the assessment of the recoverable amount of assets, specifically the fair value less costs of disposal; and the completeness and accuracy of closure costs; • reviewing supporting evidence (e.g. Regulatory News Services statements, board minutes) to assess management's rationale on the decision to pause investment and to understand the activities included in winding down the operations; • testing substantively closure costs for completeness and accuracy, including testing post year-end expenses; • reviewing and challenging management's impairment assessment of the carrying value of investment in and receivables due from MuCell in the parent company; and • assessing the completeness and accuracy of disclosure within the financial statements in accordance with UK-adopted IAS. **Key observations** We are satisfied that the judgements applied, impairment charges recorded and disclosures within the financial statements are appropriate.
Valuation of defined benefit pension obligation The Group's closed Defined Benefit Pension Scheme represents a material individual liability on the consolidated statement of financial position, amounting to £1.6m as of 31 December 2024 (2023: £2.7m). The valuation of the scheme's liabilities requires management to use their judgement in making several key assumptions, being the rate of inflation (CPI and RPI), the discount rate and the life expectancy of the scheme members. While historical assumptions are noted as being within acceptable ranges, the liability is highly sensitive to small changes in the key inputs and assumptions. Given the financial significance and the inherent estimation uncertainty within the calculation, the valuation of the defined benefit pension obligation has been assessed as a key audit matter. For more details refer to note 24.	Our work in this area included: • assessing the competence, capabilities and objectivity of management's actuary who calculated the defined benefit pension obligation; • involving our internal actuarial team, to assess the reasonableness of key inputs and assumptions used in the valuation of the defined benefit pension obligation; • comparing key inputs and assumptions used in management's actuarial report to industry benchmarks with the assistance of our internal actuarial team; • obtaining confirmations and control reports from the investment manager and custodian to confirm the existence and accuracy of the pension scheme assets; • testing completeness and accuracy of employee data used in the actuarial valuation • ensuring the key assumptions, inputs and contribution are updated from the results of triennial valuation completed in May 2024; • tracing contributions and payments/claims paid to the pension fund to bank statements; and • assessing whether adequate disclosures have been included in the financial statements, and whether the accounting treatment of the Defined Benefit Pension Scheme liabilities is in line with IAS 19 "Employee Benefits". **Key observations** No issues were noted that indicate the valuation of the Group's defined benefit pension obligations are materially misstated as at 31 December 2024.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the Group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate governance statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's and parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 37 of the Annual Report;
- Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 51 of the Annual Report;
- Directors' statement on whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities set out on pages 37 and 51 of the Annual Report;
- Directors' statement that they consider the Annual Report and the financial statements, taken as a whole, to be fair, balanced and understandable set out on page 101 of the Annual Report;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 38 to 50 of the Annual Report;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 76 of the Annual Report; and
- the section describing the work of the Audit Committee set out on pages 77 to 80 of the Annual Report.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group and parent company financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZOTEFOAMS PLC (CONT.)

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the Group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the sector. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee, correspondence received from regulatory bodies, and attendance at all meetings of the Audit Committee, as well as consideration of the results and knowledge gained from our audit procedures across the Group and parent company.
- We determined the principal laws and regulations relevant to the Group and parent company in this regard to be those arising from the Listing Rules, the Companies Act 2006, the Disclosure Guidance and Transparency Rules, the UK Corporate Governance Code, Task Force on Climate-Related Financial Disclosures, environmental, social and governance reporting requirements, UK-adopted IAS, employment law, tax legislations, Bribery Act 2010, the Chemicals (Hazard Information and Packaging for Supply) (Amendment) Regulations 2008, the Institution of Chemical Engineers (CA) Order 2004, the Offshore Chemical Regulations 2002, the Export and Import of Dangerous Chemicals Regulations 2005, the Industry and Exports (Financial Support) Act 2009, the Export Control Act 2002, the Import and Export Control Act 1990, the Consumer Protection Act 1987, anti-money laundering regulations, the EU Registration, Evaluation, Authorisation and Restriction of Chemicals regulations, the Pressure Systems Safety Regulations 2000, the UK Chemical Industries Association regulations, and the General Data Production Regulation.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the Group and parent company with those laws and regulations. The Group and parent company are subject to laws and regulations that directly affect the financial statements including financial reporting legislation, pensions legislation, distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
- In addition, the Group and parent company are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, various regulation around the handling of chemicals and general environmental protection legislation, fraud, bribery and corruption, export control, the Consumer Rights Act 2015, and employment law recognising the nature of the Group's and parent company's activities. These procedures included, but were not limited to, enquiry of the Directors and other management and inspection of regulatory and legal correspondence.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management and reviewing the minutes of the Board and its committees to understand where it considered there was susceptibility to fraud. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; reviewing key accounting estimates for evidence of bias; reviewing minutes of meetings of those charged with governance and internal audit reports; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Audit Committee on 6 October 2020 to audit the financial statements for the period ending 31 December 2020 and subsequent financial periods. Our total uninterrupted period of engagement is five years, covering the periods ending 31 December 2020 to 31 December 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

7 April 2025

15 Westferry Circus
Canary Wharf
London E14 4HD

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2024

	Note	2024 £'000	2023 £'000
Revenue	3	**147,791**	126,975
Cost of sales		**(101,658)**	(85,920)
Gross profit		**46,133**	41,055
Distribution costs		**(8,478)**	(7,927)
Administrative expenses		**(19,525)**	(17,993)
Exceptional costs of closure of business	4	**(15,178)**	–
Operating profit	5	**2,952**	15,135
Operating profit before exceptional items		**18,130**	15,135
Finance costs	7	**(3,147)**	(2,540)
Finance income	7	**274**	191
Share of profit from joint venture	10	**74**	54
Profit before income tax		**153**	12,840
Profit before income tax and exceptional items		**15,331**	12,840
Income tax expense	8	**(2,908)**	(3,598)
(Loss)/profit for the year		**(2,755)**	9,242
Profit for the year before exceptional items		**12,423**	9,242
(Loss)/profit attributable to:			
Equity holders of the Company		**(2,755)**	9,242
(Losses)/Earnings per share:			
Basic (p)	9	**(5.66)**	19.00
Diluted (p)*	9	**(5.66)**	18.55
Earnings per share excluding exceptional closure costs**			
Basic (p)	9	**25.95**	19.00
Diluted (p)	9	**25.24**	18.55

* The loss attributable to equity shareholders and weighted average number of ordinary shares for the purposes of calculating diluted earnings per ordinary share are identical to those used for basic earnings per ordinary share. This is because the exercise of share options and warrants would have the effect of reducing the loss per ordinary share and is therefore anti-dilutive.

** This is not an IFRS measure and has been calculated based on the pre-exceptional lines above.

All activities of the Group are continuing. The exceptional closure costs relate to the MuCell business, primarily the impairment of tangible and intangible fixed assets – see note 4.

The notes on pages 115 to 153 form an integral part of these financial statements.

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the Company income statement and other comprehensive income.

Company number: 2714645

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2024

	Note	**2024 £'000**	2023 £'000
(Loss)/profit for the year		**(2,755)**	9,242
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on Defined Benefit Pension Scheme	24	**348**	(88)
Tax relating to items that will not be reclassified		**(87)**	22
Total items that will not be reclassified to profit or loss		**261**	(66)
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation losses on investment in foreign subsidiaries		**(371)**	(1,885)
Change in fair value of hedging instruments		**(965)**	1,712
Hedging losses reclassified to profit or loss		**(968)**	(192)
Tax relating to items that may be reclassified		**590**	(575)
Total items that may be reclassified subsequently to profit or loss		**(1,714)**	(940)
Other comprehensive loss for the year, net of tax		**(1,453)**	(1,006)
Total comprehensive (loss)/income for the year		**(4,208)**	8,236
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(4,208)**	8,236
Total comprehensive (loss)/income for the year		**(4,208)**	8,236

The notes on pages 115 to 153 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 £'000	2023 £'000
Non-current assets			
Property, plant and equipment	11	**92,088**	91,743
Right-of-use assets	12	**2,153**	1,272
Intangible assets	13	**438**	9,418
Intangible right-of-use assets	12	**7,233**	–
Investment in joint venture	10	**281**	207
Trade and other receivables	16	**14**	70
Deferred tax assets	20	**548**	435
Total non-current assets		**102,755**	103,145
Current assets			
Inventories	15	**29,924**	31,904
Trade and other receivables	16	**31,494**	33,002
Derivative financial instruments	22	**42**	1,264
Cash and cash equivalents	17	**10,534**	6,294
Total current assets		**71,994**	72,464
Total assets		**174,749**	175,609
Current liabilities			
Trade and other payables	18	**(11,878)**	(12,953)
Provisions	4	**(1,381)**	–
Derivative financial instruments	22	**(1,164)**	(28)
Current tax liability		**(757)**	(1,078)
Lease liabilities	12	**(2,134)**	(507)
Interest-bearing loans and borrowings	19,22	**(34,602)**	(36,527)
Total current liabilities		**(51,916)**	(51,093)
Non-current liabilities			
Lease liabilities	12	**(6,821)**	(827)
Deferred tax liabilities	20	**(5,103)**	(5,270)
Post-employment benefits	24	**(1,552)**	(2,656)
Total non-current liabilities		**(13,476)**	(8,753)
Total liabilities		**(65,392)**	(59,846)
Total net assets		**109,357**	115,763
Equity			
Issued share capital	21	**2,442**	2,442
Share premium	21	**44,178**	44,178
Own shares held		**(7)**	(12)
Capital redemption reserve		**15**	15
Translation reserve		**3,653**	4,024
Hedging reserve		**(683)**	660
Retained earnings		**59,759**	64,456
Total equity		**109,357**	115,763

The notes on pages 115 to 153 form an integral part of these financial statements.

The financial statements on pages 107 to 154 were authorised for issue by the Board of Directors on 7 April 2025 and were signed on its behalf by:

G McGrath
Group CFO

Company number: 2714645

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 £'000	2023 £'000
Non-current assets			
Property, plant and equipment	11	**40,914**	42,027
Right-of-use assets	12	**1,162**	143
Intangible assets	13	**404**	504
Intangible right-of-use assets	12	**7,233**	–
Investment in subsidiaries	14	**30,822**	30,822
Trade and other receivables	16	**13**	70
Total non-current assets		**80,548**	73,566
Current assets			
Inventories	15	**23,315**	22,616
Trade and other receivables	16	**56,706**	61,052
Derivative financial instruments	22	**42**	1,264
Cash and cash equivalents	17	**5,449**	2,875
Total current assets		**85,512**	87,807
Total assets		**166,060**	161,373
Current liabilities			
Trade and other payables	18	**(7,727)**	(8,999)
Derivative financial instruments	22	**(1,164)**	(28)
Current tax liability		**(647)**	(767)
Lease liabilities	12	**(1,654)**	(101)
Interest-bearing loans and borrowings	19,22	**(34,602)**	(36,527)
Total current liabilities		**(45,794)**	(46,422)
Non-current liabilities			
Lease liabilities	12	**(6,108)**	(46)
Deferred tax liabilities	20	**(5,103)**	(5,270)
Post-employment benefits	24	**(1,552)**	(2,656)
Total non-current liabilities		**(12,763)**	(7,972)
Total liabilities		**(58,557)**	(54,394)
Total net assets		**107,503**	106,979
Equity			
Issued share capital	21	**2,442**	2,442
Share premium	21	**44,178**	44,178
Capital redemption reserve		**15**	15
Hedging reserve		**(683)**	660
Retained earnings		**61,551**	59,684
Total equity		**107,503**	106,979

The Company profit for the year ended 31 December 2024 was £3,844k (2023: £7,890k).

The notes on pages 115 to 153 form an integral part of these financial statements.

The financial statements on pages 107 to 154 were authorised for issue by the Board of Directors on 7 April 2025 and were signed on its behalf by:

G McGrath
Group CFO

Company number: 2714645

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	2024 £'000	2023 £'000
Cash flows from operating activities			
(Loss)/profit for the year		**(2,755)**	9,242
Adjustments for:			
Depreciation and amortisation	11,12,13	**8,983**	8,217
Loss on disposal of assets	5	**28**	4
Finance costs	7	**2,873**	2,349
Share of profit from joint venture	10	**(74)**	(54)
Net exchange differences		**524**	(641)
Equity-settled share-based payments	25	**1,077**	1,335
Non-cash cost of closure of business	4	**15,178**	–
Taxation	8	**2,908**	3,598
Operating profit before changes in working capital and provisions		**28,742**	24,050
Decrease/(increase) in trade and other receivables		**1,539**	(3,774)
Decrease/(increase) in inventories		**1,948**	(6,279)
Decrease in trade and other payables		**(997)**	(1,027)
Employee defined benefit contributions	24	**(859)**	(859)
Cash generated from operations		**30,373**	12,111
Interest paid		**(2,515)**	(2,082)
Income taxes paid, net of refunds		**(2,857)**	(2,248)
Net cash flows generated from operating activities		**25,001**	7,781
Cash flows from investing activities			
Interest received	7	**274**	191
Purchases of intangibles	13	**(3,306)**	(2,739)
Purchases of property, plant and equipment	11	**(10,342)**	(5,744)
Proceeds from disposal of property, plant and equipment	11	**39**	–
Net cash used in investing activities		**(13,335)**	(8,292)
Cash flows from financing activities			
Proceeds from exercise of share options		**72**	–
Repayment of borrowings		**(8,357)**	(1,231)
Proceeds from borrowings		**6,750**	1,609
Payment of principal portion of lease liabilities	12	**(2,335)**	(753)
Dividends paid to equity holders of the Company	9	**(3,542)**	(3,350)
Net cash used in financing activities		**(7,412)**	(3,725)
Net increase/(decrease) in cash and cash equivalents		**4,254**	(4,236)
Cash and cash equivalents at 1 January		**6,294**	10,594
Exchange losses on cash and cash equivalents		**(14)**	(64)
Cash and cash equivalents at 31 December	17	**10,534**	6,294

Cash and cash equivalents comprise cash at bank and short-term highly liquid investments with a maturity date of less than three months, per the breakdown in note 22.

The net exchange differences of £524k within operating activities relate to the foreign exchange movement on borrowings and open forward contracts in the income statement (2023: (£641k)).

Refer to note 19 for a reconciliation of liabilities arising from financing activities.

The notes on pages 115 to 153 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2024

	Note	2024 £'000	2023 £'000
Cash flows from operating activities			
Profit for the year		**3,845**	7,890
Adjustments for:			
Depreciation and amortisation	11,12,13	**4,300**	3,792
Loss on disposal of assets	5	**–**	4
Finance costs		**1,660**	1,103
Net exchange differences		**459**	(2,274)
Equity-settled share-based payments	25	**1,077**	1,335
Non-cash write-off of intercompany loans with closed business		**10,634**	–
Taxation		**2,644**	3,003
Operating profit before changes in working capital and provisions		**24,619**	14,853
Increase in trade and other receivables		**(8,848)**	(4,621)
Increase in inventories		**(699)**	(3,884)
Increase/(decrease) in trade and other payables		**3,112**	(1,716)
Employee defined benefit contributions	24	**(859)**	(859)
Cash generated from operations		**17,325**	3,773
Interest paid		**(2,437)**	(2,077)
Income taxes paid, net of refunds		**(2,273)**	(1,800)
Net cash flows generated from operating activities		**12,615**	(104)
Cash flows from investing activities			
Interest received		**1,471**	62
Net loans (granted to)/repaid by subsidiaries	26	**(2,089)**	2,771
Purchase of intangibles	13	**(88)**	(174)
Purchase of property, plant and equipment	11	**(2,489)**	(3,713)
Net cash used in investing activities		**(3,195)**	(1,054)
Cash flows from financing activities			
Proceeds of exercise of share options		**72**	–
Repayment of borrowings		**(8,357)**	(1,231)
Proceeds from borrowings		**6,750**	1,609
Principal elements of lease payments	12	**(1,769)**	(283)
Dividends paid to equity holders of the Company	9	**(3,542)**	(3,350)
Net cash generated from financing activities		**(6,846)**	(3,255)
Net increase/(decrease) in cash and cash equivalents		**2,574**	(4,413)
Cash and cash equivalents at 1 January		**2,875**	7,288
Cash and cash equivalents at 31 December	17	**5,449**	2,875

Cash and cash equivalents comprise cash at bank and short-term highly liquid investments with a maturity date of less than three months, per the breakdown in note 22.

The net exchange differences of £459k within operating activities relate to the foreign exchange movement on borrowings and open forward contracts in the income statement (2023: £2,274k).

Refer to note 19 for a reconciliation of liabilities arising from financing activities.

The notes on pages 115 to 153 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Note	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
Profit for the year		–	–	–	–	–	–	9,242	9,242
Other comprehensive income for the year:									
Foreign exchange translation losses on investment in subsidiaries		–	–	–	–	(1,885)	–	–	(1,885)
Change in fair value of hedging instruments recognised in other comprehensive income		–	–	–	–	–	1,712	–	1,712
Reclassification to income statement – administrative expenses		–	–	–	–	–	(192)	–	(192)
Tax relating to effective portion of changes in fair value of cash flow hedges, net of recycling		–	–	–	–	–	(575)	–	(575)
Actuarial loss on Defined Benefit Pension Scheme	24	–	–	–	–	–	–	(88)	(88)
Tax relating to actuarial loss on Defined Benefit Pension Scheme		–	–	–	–	–	–	22	22
Total comprehensive income for the year		–	–	–	–	(1,885)	945	9,176	8,236
Transactions with owners of the parent:									
Options exercised		–	–	4	–	–	–	(4)	–
Proceeds of shares issued, net of expenses		11	–	(11)	–	–	–	–	–
Equity-settled share-based payments net of tax		–	–	–	–	–	–	1,339	1,339
Dividends paid	9	–	–	–	–	–	–	(3,350)	(3,350)
Total transactions with owners of the parent		11	–	(7)	–	–	–	(2,015)	(2,011)
Balance as at 31 December 2023		2,442	44,178	(12)	15	4,024	660	64,456	115,763
Balance as at 1 January 2024		**2,442**	**44,178**	**(12)**	**15**	**4,024**	**660**	**64,456**	**115,763**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(2,755)**	**(2,755)**
Other comprehensive income for the year:									
Foreign exchange translation losses on investment in subsidiaries		**–**	**–**	**–**	**–**	**(371)**	**–**	**–**	**(371)**
Change in fair value of hedging instruments recognised in other comprehensive income		**–**	**–**	**–**	**–**	**–**	**(965)**	**–**	**(965)**
Reclassification to income statement – administrative expenses		**–**	**–**	**–**	**–**	**–**	**(968)**	**–**	**(968)**
Tax relating to effective portion of changes in fair value of cash flow hedges, net of recycling		**–**	**–**	**–**	**–**	**–**	**590**	**–**	**590**
Actuarial gain on Defined Benefit Pension Scheme	24	**–**	**–**	**–**	**–**	**–**	**–**	**348**	**348**
Tax relating to actuarial gain on Defined Benefit Pension Scheme		**–**	**–**	**–**	**–**	**–**	**–**	**(87)**	**(87)**
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**(371)**	**(1,343)**	**(2,494)**	**(4,208)**
Transactions with owners of the parent:									
Options exercised		**–**	**–**	**–**	**–**	**–**	**–**	**72**	**72**
Proceeds of shares issued, net of expenses		**–**	**–**	**5**	**–**	**–**	**–**	**–**	**5**
Equity-settled share-based payments net of tax		**–**	**–**	**–**	**–**	**–**	**–**	**1,267**	**1,267**
Dividends paid	9	**–**	**–**	**–**	**–**	**–**	**–**	**(3,542)**	**(3,542)**
Total transactions with owners of the parent		**–**	**–**	**5**	**–**	**–**	**–**	**(2,203)**	**(2,198)**
Balance as at 31 December 2024		**2,442**	**44,178**	**(7)**	**15**	**3,653**	**(683)**	**59,759**	**109,357**

The aggregate current and deferred tax relating to items that are credited to equity is £659k (2023: debited £591k).

The notes on pages 115 to 153 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2024

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2023		2,431	44,178	15	(285)	53,871	100,210
Profit for the year		–	–	–	–	7,890	7,890
Other comprehensive income for the year:							
Change in fair value of hedging instruments recognised in other comprehensive income		–	–	–	1,712	–	1,712
Reclassification to income statement – administrative expenses		–	–	–	(192)	–	(192)
Tax relating to effective portion of changes in fair value of cash flow hedges, net of recycling		–	–	–	(575)	–	(575)
Actuarial loss on Defined Benefit Pension Scheme	24	–	–	–	–	(88)	(88)
Tax relating to actuarial loss on Defined Benefit Pension Scheme		–	–	–	–	22	22
Total comprehensive income for the year		–	–	–	945	7,824	8,769
Transactions with owners:							
Proceeds of shares issued, net of expenses		11	–	–	–	–	11
Equity-settled share-based payments net of tax		–	–	–	–	1,339	1,339
Dividends paid	9	–	–	–	–	(3,350)	(3,350)
Total transactions with owners		11	–	–	–	(2,011)	(2,000)
Balance as at 31 December 2023		2,442	44,178	15	660	59,684	106,979
Balance as at 1 January 2024		**2,442**	**44,178**	**15**	**660**	**59,684**	**106,979**
Profit for the year		**–**	**–**	**–**	**–**	**3,844**	**3,844**
Other comprehensive income for the year:							
Change in fair value of hedging instruments recognised in other comprehensive income		**–**	**–**	**–**	**(965)**	**–**	**(965)**
Reclassification to income statement – administrative expenses		**–**	**–**	**–**	**(968)**	**–**	**(968)**
Tax relating to effective portion of changes in fair value of cash flow hedges, net of recycling		**–**	**–**	**–**	**590**	**–**	**590**
Actuarial gain on Defined Benefit Pension Scheme	24	**–**	**–**	**–**	**–**	**348**	**348**
Tax relating to actuarial gain on Defined Benefit Pension Scheme		**–**	**–**	**–**	**–**	**(87)**	**(87)**
Total comprehensive income for the year		**–**	**–**	**–**	**(1,343)**	**4,105**	**2,762**
Transactions with owners:							
Options exercise		**–**	**–**	**–**	**–**	**72**	**72**
Equity-settled share-based payments net of tax		**–**	**–**	**–**	**–**	**1,232**	**1,232**
Dividends paid	9	**–**	**–**	**–**	**-**	**(3,542)**	**(3,542)**
Total transactions with owners		**–**	**–**	**–**	**–**	**(2,238)**	**(2,238)**
Balance as at 31 December 2024		**2,242**	**44,178**	**15**	**(683)**	**61,551**	**107,503**

The aggregate current and deferred tax relating to items that are credited to equity is £659k (2023: debited £591k).

The notes on pages 115 to 153 form an integral part of these financial statements.

NOTES

1. General information

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

The Company, its subsidiaries and joint venture (together referred to as the "Group") are engaged in the manufacturing and sale of high-performance foams and licensing of related technology for specialist markets worldwide.

2. Material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Zotefoams plc have been prepared in accordance with UK-adopted International Accounting Standards ("UK-adopted IAS") and as applied in accordance with the provisions of the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention except for derivative financial instruments, which are measured at fair value through profit or loss.

The preparation of financial statements in conformity with UK-adopted IAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 27.

i) 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 on pages 3 to 71 and the section entitled "Risk management and principal risks" on pages 38 to 50. These also describe the financial position of the Group, its cash flows and liquidity position. In addition, note 22 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, borrowing facilities, and its exposure to credit risk and liquidity risk.

At 31 December 2024, the Group's gross finance facilities were £50.0m (2023: £50.0m), consisting entirely of a multi-currency term loan.

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 twelve months following the date of approval of the financial statements. After due consideration of the range and likelihood of potential outcomes evaluated as part of stress tests on the viability statement, the Directors continue to adopt the going concern basis of accounting in preparing the Annual Report.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries and joint ventures as at 31 December 2024.

i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

ii) Transactions eliminated on consolidation

All intra-group balances and transactions, including any unrealised gains and losses or income and expenses arising from such transactions, are eliminated in full on preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

iii) Joint arrangements

The Group applies IFRS 11 to its joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Interests in the joint ventures are accounted for using the equity method, after initially being recognised at cost.

iv) Equity method

Under the equity method of accounting, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the change in net assets of the investee after the date of acquisition.

If the ownership interest in the joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised with a corresponding adjustment to the carrying value of the investment. Where the Group's share of losses in the joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. Distributions received from the joint venture reduce the carrying value of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and recognises the amount adjacent to "share of profit/(loss) of joint venture" in the income statement.

Gains and losses resulting from upstream and downstream transactions between the Group and the joint venture are recognised in the Group's financial statements only to the extent of an unrelated investor's interests in the joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint venture have been aligned where necessary to ensure consistency with the policies adopted by the Group.

NOTES (CONT.)

2. Material accounting policies (cont.)

2.1 Basis of preparation (cont.)

v) Accounting for business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from the activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value remeasured at acquisition date of the existing interest in the acquiree; less
- the net recognised amount of the identifiable assets acquired and liabilities assumed.

Goodwill is initially measured at cost. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at fair value at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in the income statement. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree employees (acquiree awards) and relate to past services, then all or a portion of the amount of the acquirer replacement awards are included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree awards and the extent to which the replacement awards relate to past and/or future services.

vi) Investments in subsidiaries and joint arrangements

The Company's investments in subsidiaries and joint arrangements are stated at cost.

2.3 Foreign currency

i) Functional and presentation currency

The Group's consolidated financial statements are presented in sterling, which is the Group's functional currency. For each entity, the Group determines the functional currency, and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and, on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

The Company's financial statements are prepared and presented in sterling, which is its functional currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation (where items are remeasured). Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Foreign exchange gains and losses resulting from the settlement of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All foreign exchange gains and losses are presented in the income statement within administrative expenses.

Translation differences related to items classified through other comprehensive income (OCI) are recognised in OCI while remaining translation differences are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) or the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities of foreign operations are translated at the closing rate of exchange prevailing at the reporting date
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of each transaction).

All resulting exchange differences are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity, and they are translated at the closing rate. Exchange differences arising are recognised in OCI.

2.4 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its exposure to foreign currency risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are initially recognised at fair value on the date when a derivative contract is entered into, and they are subsequently remeasured at their fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates all derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

2. Material accounting policies (cont.)

2.4 Derivative financial instruments and hedge accounting (cont.)

At the inception of the transaction, the Group designates and documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability where the remaining maturity of the hedged item is more than twelve months, and as a current asset or liability where the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.

The fair value of forward exchange contracts is their quoted market price at the statement of financial position date, being the present value of the quoted forward price.

i) Cash flow hedging

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the hedging reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within administrative expenses.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedging reserve within equity. The change in the forward element of the contract that relates to the hedged item ("aligned forward element") is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity might designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedging reserve within equity.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remain in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the income statement.

2.5 Property, plant and equipment

i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and any impairment losses. Such costs include those directly attributable to making the asset capable of operating as intended. The carrying amount of any part that is subsequently replaced is derecognised. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The cost of assets under construction includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

ii) Depreciation

Land is not depreciated. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of the item of property, plant and equipment. The estimated useful lives are as follows:

Buildings	20–40 years
Plant and equipment	5–20 years
Fixtures and fittings	3–5 years

Assets under construction are depreciated from the month in which the asset is ready for its intended use.

The assets' residual values and expected useful lives are reviewed, and adjusted if appropriate, at the end of each financial year.

2.6 Intangible assets

i) Research and development

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the income statement as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the asset so that it will be available for use
- management intends to complete the asset and use or sell it
- there is an ability to use or sell the asset
- it can be demonstrated how the asset will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the asset are available
- the expenditure attributable to the asset during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the asset include the product development employee costs and an appropriate portion of relevant overheads.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period over which future economic benefits are expected to be derived. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

ii) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's interest in the identifiable assets, liabilities and contingent liabilities acquired in a business combination. Goodwill is stated at the amount recognised on the date of acquisition less any accumulated impairment losses. Goodwill is tested annually for impairment or more frequently if there are indications that goodwill may be impaired.

NOTES (CONT.)

2. Material accounting policies (cont.)

2.6 Intangible assets (cont.)

iii) Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Following initial recognition, items of software are carried at cost less any accumulated amortisation and accumulated impairment losses.

iv) Patents

Patents are initially measured at purchase cost and are amortised on a straight-line basis over their estimated useful economic lives.

v) Other intangible assets

Intangible assets acquired from a business combination are capitalised at fair value as at the date of acquisition and amortised over their estimated useful economic life. Their carrying value is the fair value at acquisition less cumulative amortisation and any impairment. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Development costs that are directly attributable to the design and development of internally generated intangible assets controlled by the Group are recognised when the relevant criteria are met. Internally generated intangible assets are amortised from the point at which the asset is ready for use.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred. Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

vi) Amortisation

The estimated useful lives of the Group's intangible assets are as follows:

Marketing related	5–15 years
Customer related	2–10 years
Technology related	5–20 years
Software related	3–10 years
Capitalised development	3–10 years, from the date the patent is granted

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2.7 Financial instruments

i) Classifications

The Group classifies its financial assets in the following categories: a) those to be measured subsequently at fair value, and b) those to be measured at amortised cost.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling it in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges.

b) Financial assets measured at amortised cost

Financial assets measured at amortised cost are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

c) Financial assets measured at fair value through other comprehensive income

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised through other comprehensive income reserve.

ii) Recognition and measurement

Financial assets not carried at fair value through profit or loss are initially recognised at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Interest income from financial assets carried at amortised cost is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within administrative expenses in the financial year in which they arise.

iii) Impairment of financial assets carried at amortised cost

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Further details are provided in note 22.

iv) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

v) Financial liabilities

Financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument. The Group derecognises financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. The measurement of financial liabilities depends on their classification, as follows:

a) Financial liabilities measured at fair value through profit or loss

Financial liabilities that meet the definition of being held for trading are classified as measured at fair value through profit or loss. Such liabilities are carried on the balance sheet at fair value with gains or losses recognised in the income statement. Derivatives, other than those designated as effective hedging instruments, are included in this category.

b) Financial liabilities measured at amortised cost

All other financial liabilities are initially recognised at fair value, net of directly attributable transaction costs. For interest-bearing loans and borrowings, this is typically equivalent to the fair value of the proceeds received, net of issue costs associated with the borrowing. After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised in finance income and finance costs respectively.

This category of financial liabilities includes trade and other payables.

2. Material accounting policies (cont.)

2.7 Financial instruments (cont.)

vi) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented gross in the balance sheet unless both of the following criteria are met: the Group currently has a legally enforceable right to offset the recognised amounts, and the Group intends to either settle on a net basis or realise the asset and settle the liability simultaneously. A right of offset is the Group's legal right to settle an amount payable to a creditor by applying against it an amount receivable from the same counterparty. The relevant legal jurisdiction and laws applicable to the relationships between the parties are considered when assessing whether a legally enforceable right to offset currently exists.

vii) Current versus non-current classification

The Group classifies assets and liabilities in the statement of financial position as either current or non-current.

An asset is classified as current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

An entity shall classify a liability as current when:

- it expects to settle the liability in its normal operating cycle;
- it holds the liability primarily for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting period; or
- it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.8 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30–90 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method.

Due to the short-term nature of current receivables, their carrying amount is considered to be the same as their fair value. Information about the impairment of trade receivables and the Group's exposure to credit risk and foreign currency risk can be found in note 22.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used.

The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. For work in progress and finished goods manufactured by the Group, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term highly liquid investments with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

2.11 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each statement of financial position date where there is an indication that the asset may be impaired. If any such indication exists, the asset's recoverable amount is estimated (see below).

For goodwill, property, plant and equipment and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

i) Calculation of recoverable amount

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are based on a value in use calculation using cash flow projections from forecasts approved by management. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the sales volume and cost of sales. The key assumptions used to determine the recoverable amount for the CGU, including sensitivity analysis, are disclosed and further explained in note 13.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

ii) Impairment losses

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro rata basis.

iii) Reversal of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES (CONT.)

2. Material accounting policies (cont.)

2.12 Dividends

Final dividends are recognised as a liability in the financial year in which they are approved, and the corresponding amount is recognised directly in equity. Interim dividends are recognised when paid.

2.13 Interest-bearing loans and borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any differences between cost and redemption values being recognised in the income statement over the period of the borrowings on an effective interest basis, where material. Adherence with loan covenants is discussed in note 22.

2.14 Employee benefits

i) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

ii) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the financial year, less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using AA credit-rated bonds that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognised in "staff expenses" in the income statement, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from service in the current year, benefit changes, curtailments and settlements.

Past service costs are recognised immediately in the income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in finance costs in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the year in which they arise.

2.15 Share-based payment transactions

i) Equity-settled transactions

The Company operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (share awards) of the Company. The fair value of the employee services received in exchange for the grant of the share awards is recognised as an expense.

The total amount of the share award to be valued is determined by reference to the fair value of the share awards granted:

- including any market performance conditions (for example, an entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period)
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

Where material, share awards granted since 1 January 2006 with market-based vesting conditions are valued using the Black-Scholes model. Per the standard, these have no revisions to original estimates.

At the end of each reporting period, the Company revises its estimates of the number of share awards that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, in some circumstances, employees might provide services in advance of the grant date, and so the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement and grant date.

When the share awards vest or are exercised, the Employee Benefit Trust (EBT) will normally release the shares to the participant. This may involve selling all, or a portion of, the shares. The proceeds received from the sale, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

Any social security contributions payable in connection with the grant of the share awards are considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

ii) Own shares held by the EBT

Transactions of the EBT are treated as being those of the Group and are therefore reflected in the financial statements. In particular, the EBT's purchase and sale of shares in the Company are debited and credited directly to equity.

2.16 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities. Trade and other payables are stated at cost.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

2. Material accounting policies (cont.)

2.18 Revenue

Revenue comprises the sale of finished goods (foam), trading goods (equipment) and licence and royalty income. All these revenue streams are revenues arising from contracts with customers. The recognition and measurement principles of IFRS 15 are applied as set out below.

Revenue excludes intercompany revenues and value-added taxes and is stated net of discounts and returns.

i) Sale of finished goods (foam)

Revenue from the sale of foam is recognised when control of the goods has been transferred to a customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. This usually occurs when the title passes to the customer, either on shipment or on receipt of goods by the customer, depending on agreed trading terms. Payment is due within credit terms which are consistent with industry practices, with no financing components.

ii) Sale of trading goods (equipment)

Revenue from the sale of equipment is recognised when control of the goods has been transferred to a customer. This usually occurs when the title passes to the customer, either on shipment or on receipt of the goods by the customer, depending on agreed trading terms.

iii) Licence and royalty income

Revenue from usage-based royalties in exchange for a licence of the Group's technology is recognised when the performance obligation is satisfied, which is at the time when the sale or usage occurs. Licence revenue from contracts, which include a minimum royalty guarantee to provide use of the Group's technology, is recognised at a point in time when the uptake of the minimum royalty becomes unconditional. Royalty income which does not include a minimum royalty guarantee is recognised when the usage occurs.

2.19 Leases

The Group leases offices and various equipment. Rental contracts are typically between two and seven years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset on similar economic terms and conditions. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying value of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Right-of-use assets are measured at cost comprising the following:

- the amount of initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs
- restoration costs.

Payments associated with short-term leases and leases of low value are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise small items of equipment.

2.20 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity respectively.

The current tax charge is calculated on the basis of the tax laws enacted at the statement of financial position date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and joint arrangements, except for any deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and joint arrangements only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available, against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

2.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income tax), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

NOTES (CONT.)

2. Material accounting policies (cont.)

2.22 Exceptional items
Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. These are items that are material, because of either their size or their nature, or that are non-recurring, and are presented within the line items to which they best relate.

2.23 Provisions
A provision is recognised if, as the result of a past event or decision, there is a present legal obligation that can be measured reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Such obligations could arise from a decision to restructure or close a line of business.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2.24 New standards and interpretations
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Group has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 16 – "Lease Liability in a Sale and Leaseback"
The amendments in IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments had no impact on the Group's financial statements.

Amendments to IAS 1 – "Classification of Liabilities as Current or Non-current"
The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement
- that a right to defer must exist at the end of the reporting period
- that classification is unaffected by the likelihood that an entity will exercise its deferral right
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Group's financial statements.

Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7
The amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements.

The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments had no impact on the Group's financial statements.

Standards issued but not yet effective
The new and amended standards and interpretations that have been issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to the classification and Measurement of Financial Instruments
In May 2024 the IASB issued amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures in relation to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets. The amendments also affect disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Early adoption is permitted, but will need to be disclosed. An entity shall apply the amendments retrospectively.

The amendments are not expected to have a material impact on the Group's financial statements.

Lack of exchangeability – Amendments to IAS 21
In August 2023, the International Accounting Standards Board (IASB) issued amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Group's financial statements.

IFRS 18 "Presentation and Disclosure in Financial Statements"
In April 2024, the IASB issued IFRS 18, which replaces IAS 1 "Presentation of Financial Statements". IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, the first three of which are new.

It also requires disclosure of management-defined performance measures, subtotals of income and expenses, and includes new requirements for the aggregation and disaggregation of financial information based on the identified roles of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from "profit or loss" to "operating profit or loss", and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier adoption is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures
In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early adoption permitted.

As the Group is listed, it is not eligible to elect to apply IFRS 19.

3. 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, Ronan Cox, who is considered to be the "chief operating decision maker" for the purpose of evaluating segment performance and allocating resources. The Group Chief Executive Officer primarily uses a measure of profit for the year (before 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. The Group's 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, temperature or energy management performance. Revenue in the segment is currently mainly derived from products manufactured from three main polymer types: polyvinylidene fluoride (PVDF) fluoropolymer, polyamide (nylon) and thermoplastic elastomers. 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. It was developing a fully circular solution for mono-material barrier packaging, which it has branded ReZorce®; however, at the end of 2024, this line of business was wound down and will not be a separate segment in future years. The exceptional items recognised in this segment represent the impairment of the associated assets and closure costs (see note 4).

	Polyolefin Foams		HPP		MEL		Consolidated	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000
Group revenue	**66,929**	67,596	**79,642**	58,132	**1,220**	1,247	**147,791**	126,975
Segment profit/(loss) pre-amortisation of acquired intangibles	**5,428**	7,455	**21,459**	15,418	**(4,636)**	(4,098)	**22,251**	18,775
Amortisation of acquired intangible assets	**–**	–	**–**	–	**(255)**	(257)	**(255)**	(257)
Exceptional costs of closure of business	**–**	–	**–**	–	**(15,178)**	–	**(15,178)**	–
Segment profit/(loss)	**5,428**	7,455	**21,459**	15,418	**(20,069)**	(4,355)	**6,818**	18,518
Foreign exchange losses	**–**	–	**–**	–	**(43)**	–	**754**	(296)
Unallocated central costs	**–**	–	**–**	–	**–**	–	**(4,620)**	(3,087)
Operating profit							**2,952**	15,135
Financing costs	**–**	–	**–**	–	**–**	–	**(3,147)**	(2,540)
Financing income	**–**	–	**–**	–	**–**	–	**274**	191
Share of profit from joint venture	**74**	54	**–**	–	**–**	–	**74**	54
Taxation	**–**	–	**–**	–	**–**	–	**(2,908)**	(3,598)
(Loss)/profit for the year							**(2,755)**	9,242
Segment assets	**105,095**	110,374	**59,641**	50,456	**2,232**	14,344	**166,968**	175,174
Unallocated assets	**–**	–	**–**	–	**–**	–	**7,781**	435
Total assets							**174,749**	175,609
Segment liabilities	**(29,054)**	(37,631)	**(21,218)**	(14,363)	**(2,677)**	(1,504)	**(52,949)**	(53,498)
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**(12,443)**	(6,348)
Total liabilities							**(65,392)**	(59,846)
Depreciation of PPE	**5,083**	5,189	**1,428**	1,122	**560**	532	**7,071**	6,843
Depreciation of right-of-use assets	**401**	422	**153**	92	**294**	204	**848**	718
Unallocated depreciation of right-of-use assets	**–**	–	**–**	–	**–**	–	**517**	–
Amortisation	**151**	223	**90**	101	**306**	332	**547**	656
Capital expenditure:								
Property, plant and equipment	**7,931**	4,619	**904**	1,421	**1,266**	343	**10,101**	6,383
Intangible assets	**60**	118	**37**	56	**3,140**	2,565	**3,237**	2,739

Unallocated assets are made up of deferred tax assets, £548k (2023: £435k), and intangible right-of-use assets, £7,233k (2023: £Nil) representing Zotefoams' right to use the licensed technology from Shincell. Unallocated liabilities are made up of corporation tax £757k (2023: £1,078k), deferred tax liabilities £5,103k (2023: £5,270k) and the lease liability in respect of licensed technology, £6,583k (2023: £Nil).

Segment profit/(loss) is made up of operating profit/(loss) before exceptional items, foreign exchange gains/(losses) and unallocated central costs. Unallocated central costs are not directly attributable to, or cannot be allocated to, a segment. Hedging gains/(losses) are not allocated to a segment but are instead recorded under unallocated central costs.

Segment profit/(loss) pre-amortisation of acquired intangibles only excludes amortisation on acquired intangible assets.

NOTES
(CONT.)

3. Segment reporting (cont.)

Geographical segments

Polyolefin Foams, HPP and MEL are managed on a worldwide basis but operate from UK, USA, European and Asian 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 £'000	Continental Europe £'000	North America £'000	Rest of the world £'000	Total £'000
For the year ended 31 December 2024					
Group revenue from external customers	**12,740**	**30,475**	**28,696**	**75,880**	**147,791**
Non-current assets	**49,727**	**18,498**	**33,176**	**525**	**101,926**
Capital expenditure – PPE	**2,212**	**1,873**	**6,011**	**4**	**10,101**
For the year ended 31 December 2023					
Group revenue from external customers	11,879	32,514	27,195	55,387	126,975
Non-current assets	42,745	19,815	39,697	246	102,503
Capital expenditure – PPE	4,393	524	1,464	2	6,383

Non-current assets do not include deferred tax assets or investments in joint ventures.

Major customer

Revenue from one customer located in 'Rest of the world' contributed £66,133k to the Group's revenue (2023: one customer located in 'Rest of the world' contributed £45,294k to the Group's revenue).

Analysis of revenue by category

Breakdown of revenues by products and services for the Group:

	2024 £'000	2023 £'000
Sale of foam	**146,571**	125,729
Licence and royalty income	**876**	893
Sale of equipment	**344**	353
Group revenue	**147,791**	126,975

4. Exceptional items

Closure of the MuCell Extrusion business

On 18 December 2024, the Group decided to pause its investment in the MuCell Extrusion business (MEL) and focus all of the Group's resources on the near-term opportunities in the core supercritical fluid foams businesses. The intellectual property and know-how associated with MEL is well protected and will be retained by the Group in order to preserve its ability to realise the value of this unique technology, should market conditions become more favourable. A process to wind down the operations of MEL began on that date. This includes both the operations of MuCell Extrusion LLC in the USA and the development activity related to Zotefoams Denmark ApS in Denmark.

The exit from these activities is expected to reduce ongoing Group overheads and will allow resources to be re-deployed into the foams businesses. Since the future value of the know-how has now become uncertain, this has resulted in an impairment of the carrying value of associated assets of £13,797k, consisting of £2,157k of PPE, £2,386k of goodwill and £9,254k of other intangible assets. Of this, £1,271k (2023: £656k) of PPE and £3,213k (2023: £2,512k) of intangible assets were capitalised in the year. The impairment reduces all intangible assets associated with MEL to zero and the PPE to £689k, representing assets which will be sold or utilised elsewhere in the Group. There were also one-off closure costs of £1,381k which have been fully provided for. The total cost has been shown as an exceptional item of £15,178k in the income statement, forming part of operating profit.

These costs have been classified as an exceptional item as they are one-off costs related to the wind-down of the MEL business unit. For this reason it is being disclosed as a separate line item in the income statement.

4. Exceptional items (cont.)

Closure of the MuCell Extrusion business (cont.)

The income statement for the discontinued MEL business was as follows:

	2024 £'000	2023 £'000
Revenue	**1,220**	1,247
Cost of sales	**(3,139)**	(2,629)
Gross loss	**(1,919)**	(1,382)
Distribution costs	**(589)**	(596)
Administrative expenses	**(2,426)**	(2,443)
Exceptional costs of closure of business	**(15,178)**	–
Operating loss	**(20,112)**	(4,421)
Finance costs*	**(1,442)**	(1,068)
Loss before income tax	**(21,554)**	(5,489)
Income tax expense	**(35)**	–
Loss for the year	**(21,589)**	(5,489)

* Finance costs represent £1,435k (2023: £1,056k) of intercompany interest charges which eliminate on consolidation and £7k (2023: £12k) of third party interest payable.

5. Expenses by nature

	2024 £'000	2023 £'000
Included in (loss)/profit for the year are:		
Changes in inventories of finished goods and work in progress	**(1,774)**	4,713
Changes in raw materials and consumables used	**1,897**	1,053
Inventory write-down	**2,102**	215
Employee benefits expenses	**36,245**	33,204
Operating lease charges (note 12)	**221**	386
Amortisation (note 13)	**547**	656
Depreciation of PPE and right-of-use assets (note 11 and note 12)	**8,436**	7,561
Disposal of assets	**28**	4
Research and development costs qualified for tax relief expensed	**1,400**	821
Development costs capitalised (note 13)	**(2,859)**	(2,244)
Net exchange losses	**(754)**	296
External Auditor's remuneration:		
Group: fees payable to the Group's External Auditor for the audit of the Company and consolidated financial statements		
PKF Littlejohn LLP	**245**	235
Fees payable to the External Auditor in respect of other services:		
Audit-related assurance services	**15**	22
Total cost of sales, distribution costs and administrative expenses	**129,661**	111,840

NOTES
(CONT.)

6. Staff numbers and expenses

The monthly average number of people employed by the Group and Company (including Executive Directors) during the year, analysed by category, was as follows:

	Number of employees			
	Group		Company	
	2024	2023	**2024**	2023
Production	**309**	285	**170**	167
Maintenance	**44**	40	**27**	25
Distribution and marketing	**79**	77	**40**	41
Administration and technical	**137**	134	**96**	89
	569	536	**333**	322

The aggregate payroll costs of these people were as follows:

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Wages and salaries*	**29,529**	26,882	**18,449**	17,139
Social security costs*	**3,843**	3,409	**2,017**	1,716
Share options granted to Directors and employees (note 25)	**1,077**	1,335	**1,077**	1,335
Pension costs, including past service costs	**1,795**	1,578	**1,238**	1,025
	36,244	33,204	**22,781**	21,215
* Net of directly attributable costs capitalised	**666**	911	**250**	291

Details of aggregate Directors' emoluments are provided below:

	2024 £'000	2023 £'000
Aggregate emoluments	**1,408**	1,333
Social Security costs paid by the Company*	**200**	146
Aggregate gains made on exercise of share options	**32**	73
Aggregate amounts receivable under long-term incentive schemes	**656**	423
Company contribution to defined contribution pension scheme	**67**	53
	2,363	2,028

* Prior year restated to include social security costs which were previously omitted.

Further details of Directors' emoluments, including details of the highest-paid Director, are included in the Directors' Remuneration report on pages 84 to 97.

7. Finance income and costs

Finance income

	2024 £'000	2023 £'000
Interest income	**274**	191

Finance costs

	2024 £'000	2023 £'000
Interest on borrowings	**2,738**	2,328
Interest on lease liabilities	**411**	75
Interest capitalised	**(105)**	–
Finance costs expensed	**3,044**	2,403
Interest on defined benefit pension obligation (note 24)	**103**	137
	3,147	2,540

8. Income tax expense

	2024 £'000	2023 £'000
UK corporation tax	**2,485**	2,051
Overseas tax	**(387)**	632
Adjustment for tax for prior years	**431**	81
Total current tax	**2,529**	2,764
Deferred tax	**379**	834
Income tax expense	**2,908**	3,598

Factors affecting the tax charge

The weighted average applicable tax rate for the Group is 20.1% (2023: 24.8%). The main elements of the income tax expense are as follows:

	2024 £'000	2023 £'000
Tax reconciliation		
Profit before tax	**153**	12,839
Tax at the UK tax rate of 25% (2023: 23.5%)	**38**	3,019
Effects of:		
Expenses not deductible for tax purposes	**359**	271
(Utilisation of) tax losses for which no deferred income tax asset recognised	**4,026**	518
Effect of different overseas tax rates	**695**	72
Changes in tax rates	**–**	7
Capital allowance super-deductions	**–**	(13)
Recognition of share-based payments and related assets	**246**	–
Special Economic Zone Relief	**(264)**	(375)
Other differences	**–**	18
Adjustments to prior year UK corporation tax charge	**(555)**	81
Impairments booked in subsidiaries	**(1,637)**	–
	2,908	3,598

The main rate of UK corporation tax substantively enacted for the whole period was 25% (2023: 23.5%). The prior year was a blended rate reflecting the increase from 19% to 25% on 1 April 2023, a change which was substantively enacted on 10 June 2021. The applicable tax rate has increased to 25% to reflect the rate of corporation tax in the UK for the full year.

The deferred taxation balances have been measured at the 25% rate. The government's Corporate Tax Roadmap commits to capping corporation tax at 25% for the remainder of this parliament, i.e. until 2029.

The Group has not identified any uncertain tax positions as at 31 December 2024 (2023: none).

NOTES
(CONT.)

9. Dividends and earnings per share

	2024 £'000	2023 £'000
Prior year final dividend of 4.90p (2023: 4.62p) per 5.0p ordinary share	**2,383**	2,243
Interim dividend of 2.38p (2023: 2.28p) per 5.0p ordinary share	**1,159**	1,107
Dividends paid during the year	**3,542**	3,350

The proposed final dividend for the year ended 31 December 2024 of 5.10p per share (2023: 4.90p) is subject to approval by shareholders at the AGM and has not been recognised as a liability in these financial statements. The proposed dividend would amount to £2,491k if paid to all shareholders on the Company register at the close of business on 31 December 2024.

Earnings per ordinary share

Earnings per ordinary share is calculated by dividing the consolidated loss after tax attributable to equity holders of the Company of £2,755k (2023: £9,242k profit) by the weighted average number of shares in issue during the year and excluding own shares held by the EBT which are administered by independent trustees. The number of shares held in the trust at 31 December 2024 was 133,573 (2023: 244,286). The 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".

	2024	2023
Weighted average number of ordinary shares in issue	**48,669,691**	48,643,755
Adjustments for share options	**1,361,985**	1,161,180
Diluted number of ordinary shares issued	**50,031,676**	49,804,935

10. Investment in joint venture

During 2013, the Group entered into joint-venture arrangements with INOAC Corporation. As a result, the Group has a 50% interest in Azote Asia Limited (a private company incorporated in Hong Kong). Azote Asia Limited commenced trading in 2014 and is the exclusive distributor of Zotefoams' AZOTE® products in the Far East. The registered address and principal place of business is 1318-22, Park-In Commercial Centre, 56 Dundas Street, Kowloon. As at the end of the year, there were no contingent liabilities or commitments relating to the Group's interest in the joint venture.

The joint venture has share capital consisting solely of ordinary shares which are held directly by the Group. Azote Asia Limited is a private company and there is no quoted market price available for its shares.

Set out below is the summarised financial information for Azote Asia Limited, which is accounted for using the equity method.

Summarised statement of financial position:

	As at 31 December	
	2024 £'000	2023 £'000
Cash and cash equivalents	**684**	721
Other assets (excluding cash)	**1,201**	770
Total assets	**1,885**	1,491
Financial liabilities (excluding trade payables)	**–**	(62)
Other current liabilities (including trade payables)	**(1,324)**	(1,016)
Total liabilities	**(1,324)**	(1,078)
Net assets	**561**	413

10. Investment in joint venture (cont.)

Summarised statement of comprehensive income:

	2024 £'000	2023 £'000
Revenue	**3,811**	3,533
Finance costs	**6**	5
Profit before tax	**141**	108
Income tax expense	**–**	–
Profit after tax	**141**	108
Other comprehensive income	**7**	–
Total comprehensive income	**148**	108
Dividend received from joint venture	**–**	–

The information above reflects the amounts presented in the financial statements of the joint venture. There are no material differences in accounting policies between the Group and the joint venture.

A reconciliation of the summarised financial information presented to the carrying amount of the interest in the joint venture is provided below:

	2024 £'000	2023 £'000
Opening net assets	**413**	305
Profit for the year	**148**	108
Closing net assets	**561**	413
Interest in joint venture at 50%	**281**	207

	2024 £'000	2023 £'000
Information of the joint venture		
Carrying value at 1 January	**207**	153
Share of profit for the year	**74**	54
Carrying value at 31 December	**281**	207

NOTES
(CONT.)

11. Property, plant and equipment
Group

	Land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Under construction £'000	Total £'000
Cost					
At 1 January 2023	47,398	118,591	3,562	3,048	172,599
Additions	8	77	93	6,205	6,383
Disposals	–	(941)	(194)	(44)	(1,179)
Effect of movement in foreign exchange	(793)	(2,451)	(73)	(91)	(3,408)
At 31 December 2023	46,613	115,276	3,388	9,118	174,395
At 1 January 2024	**46,613**	**115,276**	**3,388**	**9,118**	**174,395**
Additions	**26**	**26**	**18**	**10,031**	**10,101**
Disposals	**–**	**(148)**	**(9)**	**–**	**(157)**
Transfers	**1,852**	**7,669**	**450**	**(9,977)**	**(6)**
Effect of movement in foreign exchange	**(477)**	**177**	**(11)**	**83**	**(228)**
At 31 December 2024	**48,014**	**123,000**	**3,836**	**9,255**	**184,105**
Accumulated depreciation					
At 1 January 2023	15,653	59,919	2,732	–	78,304
Depreciation charge	1,737	4,862	244	–	6,843
Disposals	–	(984)	(191)	–	(1,175)
Effect of movement in foreign exchange	(331)	(925)	(64)	–	(1,320)
At 31 December 2023	17,059	62,872	2,721	–	82,652
At 1 January 2024	**17,059**	**62,872**	**2,721**	**–**	**82,652**
Depreciation charge	**1,597**	**5,155**	**319**	**–**	**7,071**
Impairment	**6**	**1,186**	**53**	**856**	**2,101**
Disposals	**–**	**(74)**	**(8)**	**–**	**(82)**
Transfers	**1**	**(14)**	**13**	**–**	**–**
Effect of movement in foreign exchange	**37**	**223**	**11**	**4**	**275**
At 31 December 2024	**18,700**	**69,348**	**3,109**	**860**	**92,017**
Net book value					
At 1 January 2023	31,745	58,672	830	3,048	94,295
At 31 December 2023 and 1 January 2024	29,554	52,404	667	9,118	91,743
At 31 December 2024	**29,314**	**53,652**	**727**	**8,395**	**92,088**

Depreciation is included in cost of sales in the income statement.

Bank borrowings are secured on property, plant and equipment. Refer to note 19 for details.

11. Property, plant and equipment (cont.)

Company

	Land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Under construction £'000	Total £'000
Cost					
At 1 January 2023	24,335	67,231	2,131	1,442	95,139
Additions	–	13	3	4,376	4,392
Disposals	–	(988)	(191)	–	(1,179)
Transfers	983	802	176	(1,961)	–
At 31 December 2023	25,318	67,058	2,119	3,857	98,352
At 1 January 2024	**25,318**	**67,058**	**2,119**	**3,857**	**98,352**
Additions	**10**	**20**	**–**	**2,173**	**2,203**
Disposals	**(19)**	**–**	**(2)**	**–**	**(21)**
Transfers	**230**	**5,026**	**112**	**(5,368)**	**–**
At 31 December 2024	**25,539**	**72,104**	**2,229**	**662**	**100,534**
Accumulated depreciation					
At 1 January 2023	9,191	43,497	1,613	–	54,301
Depreciation charge	1,160	1,905	134	–	3,199
Disposals	–	(984)	(191)	–	(1,175)
At 31 December 2023	10,351	44,418	1,556	–	56,325
At 1 January 2024	**10,351**	**44,418**	**1,556**	**–**	**56,325**
Depreciation charge	**875**	**2,274**	**166**	**–**	**3,315**
Disposals	**(19)**	**–**	**(1)**	**–**	**(20)**
Transfers	**–**	**(11)**	**11**	**–**	**–**
At 31 December 2024	**11,207**	**46,681**	**1,732**	**–**	**59,620**
Net book value					
At 1 January 2023	15,144	23,734	518	1,442	40,838
At 31 December 2023 and 1 January 2024	14,967	22,640	563	3,857	42,027
At 31 December 2024	**14,332**	**25,423**	**497**	**662**	**40,914**

Depreciation is included in cost of sales in the income statement.

Bank borrowings are secured on property, plant and equipment. Refer to note 19 for details.

NOTES (CONT.)

12. Leases

(i) Amounts recognised in the statement of financial position relating to leases:

Right-of-use assets

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Property	**809**	940	**–**	–
Equipment	**1,344**	332	**1,162**	143
Licences	**7,233**	–	**7,233**	–
	9,386	1,272	**8,395**	143

Lease liabilities

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Lease liability falls due within 1 year	**2,134**	507	**1,654**	101
Lease liability falls due within 1–3 years	**4,203**	797	**3,631**	39
Lease liability falls due in more than 3 years	**2,618**	30	**2,477**	7
	8,955	1,334	**7,762**	147

Additions

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Property	**395**	782	**–**	–
Equipment	**1,396**	316	**1,298**	77
Licence*	**7,749**	–	**7,749**	–
	9,540	1,098	**9,047**	77

* The licence represents the economic benefits derived from using the Shincell licensed technology, while the corresponding lease liability reflects the obligation to make the lease payments over the term of the agreement. The lease liability was initially measured as £8.8m, this being the present value of the licence fee payments, discounted using an incremental borrowing rate of 6%, and is subsequently adjusted for interest and lease payments made. The right-of-use asset was initially measured at the same value as the liability and is subsequently being amortised over the estimated useful life of 10 years.

(ii) Amounts recognised in the income statement relating to leases:

Depreciation/amortisation of right-of-use assets

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Property	**472**	361	**–**	–
Equipment	**376**	357	**280**	282
Licences	**517**	–	**517**	–
	1,365	718	**797**	282

Other items expensed to the income statement and cash flows

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Impairment of right-of-use-assets	**56**	–	**–**	–
Interest expenses (included in finance costs)	**411**	76	**336**	7
Expense relating to short-term leases (included in cost of sales and administrative expenses)	**118**	386	**118**	295
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	**103**	27	**75**	27
The total cash outflow for leases	**2,335**	753	**1,639**	283

13. Intangible assets

Group

	Marketing related £'000	Customer related £'000	Technology related £'000	Software related £'000	Goodwill £'000	Capitalised development £'000	Total £'000
Cost							
At 1 January 2023	264	414	6,412	3,934	2,529	2,685	16,238
Additions	–	–	321	174	–	2,244	2,739
Transfer	–	–	–	14	–	(14)	–
Effect of movement in foreign exchange	(14)	(16)	(329)	(2)	(130)	(160)	(651)
At 31 December 2023	250	398	6,404	4,120	2,399	4,755	18,326
At 1 January 2024	**250**	**398**	**6,404**	**4,120**	**2,399**	**4,755**	**18,326**
Additions	**–**	**–**	**300**	**88**	**–**	**2,849**	**3,237**
Transfer	**–**	**–**	**–**	**6**	**–**	**–**	**6**
Effect of movement in foreign exchange	**3**	**4**	**82**	**(7)**	**32**	**111**	**225**
At 31 December 2024	**253**	**402**	**6,786**	**4,207**	**2,431**	**7,715**	**21,794**
Accumulated amortisation							
At 1 January 2023	264	414	3,846	3,633	–	307	8,464
Charge for the year	–	–	323	154	–	179	656
Transfer	–	–	–	14	–	(14)	–
Effect of movement in foreign exchange	(14)	(16)	(182)	–	–	–	(212)
At 31 December 2023	250	398	3,987	3,801	–	472	8,908
At 1 January 2024	**250**	**398**	**3,987**	**3,801**	**–**	**472**	**8,908**
Charge for the year	**–**	**–**	**333**	**124**	**–**	**90**	**547**
Impairment (note 4)	**–**	**–**	**2,378**	**–**	**2,386**	**6,876**	**11,640**
Transfer	**–**	**–**	**–**	**(156)**	**–**	**156**	**–**
Effect of movement in foreign exchange	**3**	**4**	**88**	**–**	**45**	**121**	**261**
At 31 December 2024	**253**	**402**	**6,786**	**3,769**	**2,431**	**7,715**	**21,356**
Net book value							
At 1 January 2023	–	–	2,566	301	2,529	2,378	7,774
At 31 December 2023 and 1 January 2024	–	–	2,417	319	2,399	4,283	9,418
At 31 December 2024	**–**	**–**	**–**	**438**	**–**	**–**	**438**

Amortisation is included in cost of sales in the income statement.

NOTES
(CONT.)

13. Intangible assets (cont.)
Company

	Customer related £'000	Software related £'000	Capitalised development £'000	Total £'000
Cost				
At 1 January 2023	121	3,816	732	4,669
Additions	–	174	–	174
Transfers	–	14	(14)	–
At 31 December 2023	121	4,004	718	4,843
At 1 January 2024	**121**	**4,004**	**718**	**4,843**
Additions	**–**	**88**	**–**	**88**
At 31 December 2024	**121**	**4,092**	**718**	**4,931**
Accumulated amortisation				
At 1 January 2023	121	3,600	307	4,028
Charge for the year	–	132	179	311
Transfers	–	14	(14)	–
At 31 December 2023	121	3,746	472	4,339
At 1 January 2024	**121**	**3,746**	**472**	**4,339**
Charge for the year	**–**	**98**	**90**	**188**
Transfers	**–**	**(156)**	**156**	**–**
At 31 December 2024	**121**	**3,688**	**718**	**4,527**
Net book value				
At 1 January 2023	–	216	425	641
At 31 December 2023 and 1 January 2024	–	258	246	504
At 31 December 2024	**–**	**404**	**–**	**404**

14. Investment in subsidiaries
Company

	2024 £'000	2023 £'000
Shares in Group undertakings – at cost	**30,822**	30,822

14. Investment in subsidiaries (cont.)

The following is a complete list of the subsidiary undertakings of the Company:

	Registered office	Ownership	Incorporated in:
Zotefoams International Limited	675 Mitcham Road, Croydon CR9 3AL	100%	Great Britain
Zotefoams Pension Trustees Limited	675 Mitcham Road, Croydon CR9 3AL	100%	Great Britain
Zotefoams Inc (indirectly owned)	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware	100%	USA
Zotefoams Midwest LLC (indirectly owned)	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware	100%	USA
MuCell Extrusion LLC (indirectly owned)	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware	100%	USA
Zotefoams Operations Limited (indirectly owned)	675 Mitcham Road, Croydon CR9 3AL	100%	Great Britain
Zotefoams Technology Limited (indirectly owned)	675 Mitcham Road, Croydon CR9 3AL	100%	Great Britain
KZ Trading and Investment Limited (indirectly owned)	15/F OTB Building, 160 Gloucester Road, Hong Kong	100%	Hong Kong
Zotefoams T-FIT Material Technology (Kunshan) Limited (indirectly owned)	181 Huanlou Road, Kunshan, Jiangsu	100%	China
Zotefoams France SAS (indirectly owned)	29 Boulevard Albert Einstein, Nantes	100%	France
Zotefoams Poland Sp. z.o.o. (indirectly owned)	ul. Grzybowska 2/29, 00-131, Warszawa	100%	Poland
T-FIT Insulation Solutions India Private Limited (indirectly owned)	412-415, 2nd Floor, Nimai Tower, Udyog Vihar, Phase-IV, Gurgaon, Haryana-122015	100%	India
Zotefoams Denmark ApS (indirectly owned)	Niels Bohrs Vej 36, 8660 Skanderborg	100%	Denmark

The principal activities of the subsidiary undertakings are as follows:

Zotefoams International Limited is a holding company. Zotefoams Pension Trustees Limited and Zotefoams Technology Limited are currently inactive. Zotefoams Inc is a wholly owned subsidiary of Zotefoams International Limited and purchases, manufactures and distributes cross-linked block foams. Zotefoams Midwest LLC, a wholly owned subsidiary of Zotefoams Inc, is a trading company with operations in Oklahoma, USA and supplies specialist materials, based on AZOTE foams, for the construction industry. MuCell Extrusion LLC, a wholly owned subsidiary of Zotefoams Inc, holds and develops microcellular foam technology which it licenses to customers and is also developing a mono-material barrier packaging solution branded ReZorce. Zotefoams Operations Limited, a wholly owned subsidiary of Zotefoams International Limited, is a trading company and distributes T-FIT technical insulation products. KZ Trading and Investment Limited, a wholly owned subsidiary of Zotefoams International Limited, is a holding and trading company for Zotefoams T-FIT Material Technology (Kunshan) Limited (previously known as Kunshan Zotek King Lai Limited), which is a trading company based in Kunshan, China, processing Zotefoams foams into T-FIT technical insulation products and distributing them. Zotefoams France SAS, a wholly owned subsidiary of Zotefoams International Limited, did not engage in any trading activities in 2024. Zotefoams Poland Sp. z.o.o. is a wholly owned subsidiary of Zotefoams International Limited which purchases, manufactures and distributes cross-linked block foams. T-FIT Insulation Solutions India Private Limited, majority owned by Zotefoams International Limited with a 1% shareholding held by Zotefoams Operations Limited in line with local legislation, distributes T-FIT technical insulation products. Zotefoams Denmark ApS Limited is a wholly owned subsidiary of Zotefoams International and engaged in no trading activities during 2024. In the opinion of the Directors, the investments in the Company's subsidiary undertakings are worth at least the amount at which they are stated in the statement of financial position.

Zotefoams plc Employee Benefit Trust (EBT) is a wholly owned entity with its registered office JTC House, 28 Esplanade, St Helier, Jersey, Channel Islands, JE2 3QA. The EBT releases shares in the Company when share awards vest or are exercised.

Zotefoams International Limited, Zotefoams Technology Limited and Zotefoams Operations Limited are relying upon the exemption from audit of individual financial statements as permitted by Section 479A of the Companies Act 2006. All outstanding liabilities as at 31 December 2024 of these companies have been guaranteed by the Company and no liability is expected to arise under this guarantee.

NOTES
(CONT.)

15. Inventories

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Raw materials and consumables	**16,114**	14,217	**13,202**	10,454
Work in progress	**10,651**	11,580	**7,003**	8,912
Finished goods	**7,737**	8,583	**4,628**	4,038
Provision for impairment losses	**(4,578)**	(2,476)	**(1,518)**	(788)
	29,924	31,904	**23,315**	22,616

In 2024, the value of inventory recognised by the Group as an expense in cost of goods sold was £62,776k (2023: £52,282k).

Movement in provision

Movements in the inventory provision during the financial year are set out below:

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Provision for impairment losses as at 1 January	**2,476**	2,261	**788**	1,042
Inventories written off against provision	**(25)**	(440)	**(25)**	(357)
Additional provisions recognised	**2,561**	655	**883**	103
Unused amounts reversed	**(351)**	–	**(128)**	–
Exchange differences	**(83)**	–	**–**	–
Provision for impairment losses as at 31 December	**4,578**	2,476	**1,518**	788

16. Trade and other receivables

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Amounts falling due over one year:				
Prepayments and accrued income	**14**	70	**13**	70
Amounts falling due within one year:				
Trade receivables	**28,833**	28,850	**19,133**	19,421
Amounts owed by Group undertakings	**–**	–	**35,857**	39,190
Other receivables	**1,343**	2,515	**1,065**	1,958
Prepayments and accrued income	**1,318**	1,637	**651**	483
	31,508	33,072	**56,719**	61,122

Trade receivables are generally on terms of 30 to 90 days.

Amounts owed by Group undertakings are payable on demand; the trading portion does not attract any interest. Unsecured loans provided to Group undertakings totalling £21,525k (2023: £23,371k) attract interest charges of 6.5% for loans linked to US dollar, 4.9% for euro, 6.9% for sterling and 6.4% for Danish krone (2023: 6.7% for loans linked to US dollar, 5.2% for euro, 7.2% for sterling and 6.8% for Danish krone). Bank borrowings are secured on the trade receivables of the Group. Refer to note 19 for details.

17. Cash and cash equivalents

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Cash at bank and in hand	**10,534**	6,294	**5,449**	2,875

Cash at bank earns interest at floating rates based on daily bank deposit rates.

18. Trade and other payables

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Trade payables	**4,970**	5,246	**3,760**	4,337
Amounts owed to Group undertakings	**–**	–	**125**	30
Other taxation and social security	**748**	619	**543**	515
Other payables	**3,173**	3,515	**1,898**	2,291
Accruals and deferred income	**2,987**	3,573	**1,401**	1,826
	11,878	12,953	**7,727**	8,999

Amounts owed to Group undertakings are unsecured, repayable on demand and attract no interest.

19. Interest-bearing loans and borrowings

		Group		Company	
	Note	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000
Current bank borrowings	22	**34,602**	36,527	**34,602**	36,527

At the end of the financial year, the Group has utilised £34.8m (31 December 2023: £36.9m) of its multi-currency revolving credit facility of £50m; this amount is repayable on the last day of each loan interest period, which is of either a three- or six-month duration. The net amount above of £34.6m, is net of £0.2m (2023: £0.3m) origination fees paid up front and being amortised over four years. The Group has headroom of £25.7m, being £10.5m cash and cash equivalents and the undrawn facility of £15.2m, being the facility of £50m less the drawn-down balance of £34.8m.

The interest rates on the debt facility ranged between 4.3% and 6.6% in 2024 (2023: between 3.7% and 6.6%).

The Group and the Company have the following undrawn borrowing facilities as per the bank at the end of the financial year:

	2024 £'000	2023 £'000
Floating rate:		
Expiring beyond one year	**15,212**	13,074
Total	**15,212**	13,074

Reconciliation of liabilities arising from financing activities:

Short-term borrowings

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Short-term borrowings at 1 January	**36,527**	37,446	**36,527**	37,446
Net cash inflows	**(1,607)**	378	**(1,607)**	378
Loan origination fee	**180**	180	**180**	180
Foreign exchange movement	**(498)**	(1,477)	**(498)**	(1,477)
Short-term borrowings at 31 December	**34,602**	36,527	**34,602**	36,527

NOTES
(CONT.)

20. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities – Group

Movement in deferred tax

	Property, plant and equipment £'000	Rolled-over gain £'000	Inventories £'000	Derivative financial instruments £'000	Defined Benefit Pension Scheme £'000	Provisions £'000	Share option charges £'000	Tax value of recognised losses carried forward £'000	Offset £'000	Total £'000
Balance at 1 January 2023	4,450	806	(255)	(266)	(822)	–	(322)	(155)	–	3,436
Charged/(credited) to the income statement	934	–	(41)	–	137	–	(238)	16	–	808
Recognised in other comprehensive income and equity	–	–	–	575	21	–	(5)	–	–	591
Balance at 31 December 2023	5,384	806	(296)	309	(664)	–	(565)	(139)	–	4,835
Balance at 1 January 2024	**5,384**	**806**	**(296)**	**309**	**(664)**	**–**	**(565)**	**(139)**	**–**	**4,835**
Charged/(credited) to the income statement	**263**	**–**	**(113)**	**–**	**189**	**(28)**	**68**	**–**	**–**	**379**
Recognised in other comprehensive income and equity	**–**	**–**	**–**	**(590)**	**87**	**–**	**(156)**	**–**	**–**	**(659)**
Balance at 31 December 2024	**5,647**	**806**	**(409)**	**(281)**	**(388)**	**(28)**	**(653)**	**(139)**	**–**	**4,555**
At 31 December 2023										
Deferred tax liabilities	5,384	806	–	309	–	–	–	–	(1,229)	5,270
Deferred tax assets	–	–	(296)	–	(664)	–	(565)	(139)	1,229	(435)
Net	5,384	806	(296)	309	(664)	–	(565)	(139)	–	4,835
At 31 December 2024										
Deferred tax liabilities	**5,647**	**806**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,350)**	**5,103**
Deferred tax assets	**–**	**–**	**(409)**	**(281)**	**(388)**	**(28)**	**(653)**	**(139)**	**1,350**	**(548)**
Net	**5,647**	**806**	**(409)**	**(281)**	**(388)**	**(28)**	**(653)**	**(139)**	**–**	**4,555**

Unrecognised deferred tax assets

The Group has tax losses carried forward in the USA of $830k (2023: $1,100k), which expire between 2025 and 2038 under prevailing tax legislation. In addition to this, the Group has further tax losses in the USA of $27,406k (2023: $29,000k), which are carried forward indefinitely. At year-end exchange rates, these tax losses translate to £21,884k (2023: £22,814k). Applying the enacted US corporation tax rate of 21% (2023: 21%), the Group has taken a prudent approach and recognised a deferred tax asset of £138k (2023: £138k) on such tax losses expected to be utilised in future periods.

The Group has losses carried forward in Poland of PLN55,309k (2023: PLN46,404k) or £10,942k (2023: £9,281k) which are recoverable until 2029 and on which no deferred tax asset has been recognised.

The Group can potentially recover £716k (2023: £296k) of the deferred tax assets within twelve months of the reporting period. The remainder of the deferred tax assets will potentially be recovered more than twelve months after the reporting period.

The Group can potentially settle £Nil (2023: £309k) of the deferred tax liabilities within twelve months of the reporting period. The remainder of the deferred tax liabilities will potentially be settled more than twelve months after the reporting period.

20. Deferred tax assets and liabilities (cont.)

Deferred tax assets and liabilities – Company

Movement in deferred tax

	Property, plant and equipment £'000	Rolled-over gain £'000	Derivative financial instruments £'000	Defined Benefit Pension Scheme £'000	Provisions £'000	Share option charges £'000	Offset £'000	Total £'000
Balance at 1 January 2023	4,450	806	(266)	(822)	–	(322)	–	3,846
Charged/(credited) to the income statement	934	–	–	137	–	(238)	–	833
Recognised in other comprehensive income and equity	–	–	575	21	–	(5)	–	591
Balance at 31 December 2023	5,384	806	309	(664)	–	(565)	–	5,270
Balance at 1 January 2024	**5,384**	**806**	**309**	**(664)**	**–**	**(565)**	**–**	**5,270**
Charged to the income statement	**263**	**–**	**–**	**189**	**(28)**	**68**	**–**	**492**
Recognised in other comprehensive income and equity	**–**	**–**	**(590)**	**87**	**–**	**(156)**	**–**	**(659)**
Balance at 31 December 2024	**5,647**	**806**	**(281)**	**(388)**	**(28)**	**(653)**	**–**	**5,103**

At 31 December 2023								
Deferred tax liabilities	5,384	806	309	–	–	–	(1,229)	5,270
Deferred tax assets	–	–	–	(664)	–	(565)	1,229	–
Net	5,384	806	309	(664)	–	(565)	–	5,270
At 31 December 2024								
Deferred tax liabilities	**5,647**	**806**	**–**	**–**	**–**	**–**	**(1,350)**	**5,103**
Deferred tax assets	**–**	**–**	**(281)**	**(388)**	**(28)**	**(653)**	**1,350**	**–**
Net	**5,647**	**806**	**(281)**	**(388)**	**(28)**	**(653)**	**–**	**5,103**

21. Issued share capital

Issued, allotted and fully paid ordinary shares of 5.0p each:

	Number of shares	Par value £'000	Share premium £'000	Total £'000
At 1 January 2023	48,621,234	2,431	44,178	46,609
Share issue to Employee Benefit Trust	225,000	11	–	11
At 31 December 2023 and 31 December 2024	**48,846,234**	**2,442**	**44,178**	**46,620**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled, on a poll, to one vote per share at meetings of the Company.

NOTES (CONT.)

21. Issued share capital (cont.)

Nature and purpose of other reserves

Capital redemption reserve

On the buy-back and cancellation of preference shares, an amount equal to the par value was transferred from retained earnings to the capital redemption reserve for capital maintenance purposes.

Translation reserve

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the income statement when the net investment is disposed of.

Hedging reserve

The hedging reserve includes the cash flow hedge reserve and the costs of the hedging reserve. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. Amounts are subsequently reclassified to the income statement as appropriate.

22. Financial instruments and financial risk management

The Group's and Company's principal financial instruments include cash in hand and at bank and interest-bearing loans and borrowings, the main purpose of which is to provide finance for the Group's and Company's operations. Foreign exchange derivatives are used to help manage the Group's and Company's currency exposure. Per the Group's and Company's policy, no trading in financial instruments is undertaken.

The main risks arising from the Group's and Company's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk.

The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained consistent throughout the year.

Credit risk

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new customers before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents and derivative financial instruments with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. A financial asset is considered in default when the counterparty fails to pay its contractual obligations. Financial assets are written off when there is no expectation of recovery.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for customers offered credit over a certain amount. The Group and Company do not require collateral in respect of financial assets.

At the statement of financial position date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position.

Credit quality of financial assets

	Group		Company	
Counterparties without external credit rating:	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000
Existing customers with no defaults in the past	**28,823**	28,545	**19,133**	19,374
Existing customers with some defaults in the past, net of impairment allowance	**10**	305	**–**	47
	28,833	28,850	**19,133**	19,421

	Group		Company	
Cash at bank	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000
Moody's P-1	**10,161**	5,928	**5,449**	2,875
Moody's P-3	**373**	366	**–**	–
	10,534	6,294	**5,449**	2,875

	Group		Company	
Derivative financial assets	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000
Moody's P-1	**42**	691	**42**	691
Moody's P-2	**–**	573	**–**	573
	42	1,264	**42**	1,264

While cash and cash equivalents are subject to impairment review under IFRS 9 "Financial Instruments", the identified impairment loss was immaterial (2023: immaterial).

22. Financial instruments and financial risk management (cont.)

Trade receivables are analysed as follows:

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Gross carrying amount	**29,003**	29,097	**19,133**	19,432
– due for less than 60 days	**28,423**	27,539	**19,127**	18,155
– due for more than 60 days	**580**	1,558	**6**	1,277
Expected loss rate				
– due for less than 60 days	**–**	0.04%	**–**	0.06%
– due for more than 60 days	**29.60%**	15.12%	**–**	–
Loss allowance	**170**	247	**–**	11
Trade receivables net of allowances	**28,833**	28,850	**19,133**	19,421

Loss allowances analysed as follows:

	Group £'000	Company £'000
At 1 January 2023	214	11
Increase in loss allowance recognised in profit or loss during the year	128	11
Reversal of loss allowance on collection of dues	(95)	(11)
At 31 December 2023	247	11
At 1 January 2024	**247**	**11**
Increase in loss allowance recognised in profit or loss during the year	**33**	**–**
Reversal of loss allowance on collection of dues	**(110)**	**(11)**
At 31 December 2024	**170**	**–**

The normal terms of trade are between 30 and 90 days from the end of the month of invoice.

The credit quality of trade receivables that are neither past due nor impaired is assessed individually based on credit history and experience. In 2024 and 2023, the Group and Company insured a material portion of its trade receivable balances to mitigate credit risk. The uninsured exposure as at 31 December 2024 for the Group was £18,078k (2023: £23,259k) and for the Company was £12,599k (2023: £13,829k). The Group and the Company make provisions against trade receivables, such provisions being based on the debtor's prior credit history and knowledge of any adverse conditions affecting the debtor (e.g. receivership or liquidation). The Directors believe an adequate provision has been made for trade receivables at the year end. None of the amounts owed by Group undertakings are impaired.

Interest rate risk

The Group's and Company's interest rate risk arises from long-term borrowings and short-term borrowings. Borrowings issued at variable rates expose the Group and Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group and Company have strong cash generation from their operations and closely monitor borrowing levels to manage the interest rate risk.

The interest rate profile of the Group's and Company's borrowings at 31 December is shown below:

	2024			2023		
Group	**Effective interest rate %**	**Fixed rates £'000**	**Variable rates £'000**	Effective interest rate %	Fixed rates £'000	Variable rates £'000
Dollar short-term borrowings	**6.57%**	**–**	**21,559**	5.04%	–	21,241
Sterling short-term borrowings	**–**	**–**	**–**	–	–	–
Euro short-term borrowings	**5.06%**	**–**	**13,229**	4.63%	–	15,652
Dollar long-term borrowings	**–**	**–**	**–**	–	–	–
Total*		**–**	**34,788**		–	36,893

* The total amount of £34,788k is gross of an outstanding amount of £186k of loan origination fees paid upfront and being amortised over the period of the loan (2023: £36,893k is gross of £366k of loan origination fees).

NOTES
(CONT.)

22. Financial instruments and financial risk management (cont.)

Interest rate risk (cont.)

Company	2024 Effective interest rate %	2024 Fixed rates £'000	2024 Variable rates £'000	2023 Effective interest rate %	2023 Fixed rates £'000	2023 Variable rates £'000
Dollar short-term borrowings	**6.57%**	**–**	**21,559**	5.04%	–	21,241
Sterling short-term borrowings	**–**	**–**	**–**	–	–	–
Euro short-term borrowings	**5.06%**	**–**	**13,229**	4.63%	–	15,652
Dollar long-term borrowings	**–**	**–**	**–**	–	–	–
Total*		**–**	**34,788**		–	36,893

* The total amount of £34,788k is gross of an outstanding amount of £186k of loan origination fees paid upfront and being amortised over the period of the loan (2023: £36,893k is gross of £366k of loan origination fees).

The impact on post-tax profit of a 1% shift in the variable rate borrowings would be £400k (2023: £299k).

Liquidity risk

Group Finance performs cash flow forecasting in the operating entities of the Group, which is then aggregated. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 19) at all times, so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and any applicable external regulatory or legal requirements.

The following are the contractual maturities of financial liabilities, including estimated payments and excluding the effect of netting agreements:

Group	2024 Carrying amount £'000	2024 Contractual cash flows £'000	2024 1 year or less £'000	2024 1 to 2 years £'000	2024 More than 2 years £'000	2023 Carrying amount £'000	2023 Contractual cash flows £'000	2023 1 year or less £'000	2023 1 to 2 years £'000	2023 More than 2 years £'000
Non-derivative financial liabilities										
Interest-bearing loans and borrowings	**(34,602)**	**(34,788)**	**(34,788)**	**–**	**–**	(36,527)	(36,893)	(36,893)	–	–
Trade and other payables	**(8,142)**	**(8,142)**	**(8,142)**	**–**	**–**	(8,761)	(8,761)	(8,761)	–	–
Lease liabilities	**(8,955)**	**(10,180)**	**(2,625)**	**(2,401)**	**(5,154)**	(1,334)	(1,832)	(770)	(1,032)	(30)
Total non-derivative financial liabilities	**(51,699)**	**(53,110)**	**(45,555)**	**(2,401)**	**(5,154)**	(46,622)	(47,486)	(46,424)	(1,032)	(30)
Derivative financial liabilities	**(1,164)**	**(1,164)**	**(1,164)**	**–**	**–**	(28)	(28)	(28)	–	–

Company	2024 Carrying amount £'000	2024 Contractual cash flows £'000	2024 1 year or less £'000	2024 1 to 2 years £'000	2024 More than 2 years £'000	2023 Carrying amount £'000	2023 Contractual cash flows £'000	2023 1 year or less £'000	2023 1 to 2 years £'000	2023 More than 2 years £'000
Non-derivative financial liabilities										
Interest-bearing loans and borrowings	**(34,602)**	**(34,788)**	**(34,788)**	**–**	**–**	(36,527)	(36,893)	(36,893)	–	–
Trade and other payables	**(5,655)**	**(5,655)**	**(5,655)**	**–**	**–**	(6,658)	(6,658)	(6,658)	–	–
Lease liabilities	**(7,762)**	**(8,847)**	**(2,081)**	**(2,081)**	**(4,685)**	(146)	(528)	(263)	(235)	(30)
Total non-derivative financial liabilities	**(48,019)**	**(49,290)**	**(42,524)**	**(2,081)**	**(4,685)**	(43,331)	(44,079)	(43,814)	(235)	(30)
Derivative financial liabilities	**(1,164)**	**(1,164)**	**(1,164)**	**–**	**–**	(28)	(28)	(28)	–	–

22. Financial instruments and financial risk management (cont.)

Foreign currency risk

The Group and Company operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro and US dollar. Foreign exchange risk arises from recognised assets and liabilities and future commercial transactions.

Foreign exchange risk is managed centrally by Group Finance and arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.

The Group's policy is to use forward currency contracts to cover approximately 67–80% of the estimated net cash foreign exchange trading exposure for the euro and US dollar for the next twelve months, as well as approximately 25% of the estimated net cash foreign exchange trading exposure for the following six months. The Group also 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 and with the resulting 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 statement of financial position, which are impacted by foreign exchange movements between revenue recognition and cash receipt, the impact of which is mitigated through further hedging activities but remains exposed to the exact timing of cash receipts.

The euro and US dollar rates used in preparing the financial statements are as follows:

	2024		2023	
	Average	**Closing**	Average	Closing
Euro/sterling	**1.177**	**1.210**	1.150	1.150
US dollar/sterling	**1.278**	**1.252**	1.243	1.271

In respect of other monetary assets and liabilities held in currencies other than the euro and the US dollar, the Group and the Company ensure that the net exposure is kept to a manageable level by buying or selling foreign currencies at spot rates, where necessary, to address short-term imbalances.

Where possible, the Group tries to hold the majority of its cash and cash equivalent balances in the local currency of the respective entity or, for borrowings, in a currency which provides an offset, albeit often partial, against monetary working capital net assets in that currency.

Recognised assets and liabilities

The table below shows non-derivative financial instruments of the Group and Company in currencies other than sterling:

Group – 2024	**Euro £'000**	**US dollar £'000**	**Other £'000**	**Total £'000**
Cash and cash equivalents	**1,593**	**4,066**	**1,264**	**6,923**
Trade receivables	**4,952**	**17,887**	**1,192**	**24,031**
Trade payables	**(2,048)**	**(995)**	**(267)**	**(3,310)**

Group – 2023	Euro £'000	US dollar £'000	Other £'000	Total £'000
Cash and cash equivalents	1,551	1,999	926	4,476
Trade receivables	4,875	18,213	2,843	25,931
Trade payables	(2,271)	(1,294)	(314)	(3,879)

Company – 2024	**Euro £'000**	**US dollar £'000**	**Other £'000**	**Total £'000**
Cash and cash equivalents	**363**	**1,489**	**49**	**1,901**
Trade receivables	**3,160**	**10,600**	**201**	**13,961**
Trade payables	**(1,989)**	**(96)**	**–**	**(2,085)**

Company – 2023	Euro £'000	US dollar £'000	Other £'000	Total £'000
Cash and cash equivalents	432	761	45	1,238
Trade receivables	2,974	12,541	987	16,502
Trade payables	(2,224)	(808)	–	(3,032)

NOTES
(CONT.)

22. Financial instruments and financial risk management (cont.)

Forecast transactions

The Group and the Company classify their forward exchange contracts used to hedge forecast transactions as cash flow hedges. The fair value of such forward exchange contracts is shown in the table below:

31 December 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Forward exchange contracts	–	42	–	42
Total assets	–	42	–	42
Liabilities				
Forward exchange contracts	–	(1,164)	–	(1,164)
Total liabilities	–	(1,164)	–	(1,164)

31 December 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Forward exchange contracts	–	1,264	–	1,264
Total assets	–	1,264	–	1,264
Liabilities				
Forward exchange contracts	–	(28)	–	(28)
Total liabilities	–	(28)	–	(28)

The hedged highly probable forecast transactions denominated in foreign currencies are expected to occur at various dates during the next twelve months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 December 2024 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. This is generally within twelve months of the end of the reporting period.

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. In hedges of forward exchange contracts, ineffectiveness mainly arises if the timing of the forecast transaction changes from what was originally estimated. There was no ineffectiveness during 2024 or 2023 in relation to the forward exchange contracts.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating fair values of financial instruments reflected in the table above.

They are classified according to the following fair value hierarchy:

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

Derivative financial instruments are valued using Handelsbanken and NatWest mid-market rates (2023: Handelsbanken and NatWest mid-market rates) at the statement of financial position date.

The maturity profile of the forward contracts as at 31 December is as follows:

	2024				2023			
Group and Company:	**Foreign currency $'000**	**Contract value £'000**	**Transaction fair value £'000**	**Contract fair value £'000**	Foreign currency $'000	Contract value £'000	Transaction fair value £'000	Contract fair value £'000
Sell USD	**$67,100**	**52,467**	**51,345**	**(1,122)**	$67,700	54,365	55,601	1,236

22. Financial instruments and financial risk management (cont.)

Sensitivity analysis

In managing currency risks, the Group and Company aim to reduce the impact of short-term fluctuations on their earnings. Over the longer term, however, changes in foreign exchange would have an impact on earnings.

In respect of retranslation of monetary items, at 31 December 2024, it is estimated that an increase of one percentage point in the value of sterling against the US dollar would decrease the Group's profit before tax by approximately £555k (2023: £613k) before forward exchange contracts and £140k (2023: £151k) after forward exchange contracts are included. The effect of an increase of one percentage point against the euro is considered marginal.

Financial instruments by category

	2024			2023		
Group	**Financial assets at amortised cost £'000**	**Derivatives used for hedging £'000**	**Financial liabilities at amortised cost £'000**	Financial assets at amortised cost £'000	Derivatives used for hedging £'000	Financial liabilities at amortised cost £'000
Trade and other receivables	**30,151**	**–**	**–**	31,365	–	–
Cash and cash equivalents	**10,534**	**–**	**–**	6,294	–	–
Derivative financial instruments – assets	**–**	**42**	**–**	–	1,264	–
– liabilities	**–**	**(1,164)**	**–**	–	(28)	–
Interest-bearing loans and borrowings	**–**	**–**	**(34,602)**	–	–	(36,527)
Trade and other payables	**–**	**–**	**(8,142)**	–	–	(8,761)
Lease liability	**–**	**–**	**(8,955)**	–	–	(1,334)

	2024			2023		
Company	**Financial assets at amortised cost £'000**	**Derivatives used for hedging £'000**	**Financial liabilities at amortised cost £'000**	Financial assets at amortised cost £'000	Derivatives used for hedging £'000	Financial liabilities at amortised cost £'000
Trade and other receivables	**19,784**	**–**	**–**	60,569	–	–
Cash and cash equivalents	**5,449**	**–**	**–**	2,875	–	–
Derivative financial instruments – assets	**–**	**42**	**–**	–	1,264	–
– liabilities	**–**	**(1,164)**	**–**	–	(28)	–
Interest-bearing loans and borrowings	**–**	**–**	**(34,602)**	–	–	(36,527)
Trade and other payables	**–**	**–**	**(5,655)**	–	–	(6,658)
Lease liability	**–**	**–**	**(7,762)**	–	–	(147)

Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group can adjust the amount of dividends paid to shareholders, issue new shares or redeem existing ones or borrow funds from financial institutions.

The Group monitors capital on the basis of the following leverage ratio: net borrowings divided by EBITDA (as per bank facility agreement).

Loan covenants

Under the terms of its borrowing facilities, the Group is required to comply with the following financial covenants:

- the ratio of net borrowings on the last day of the relevant period to earnings before interest, tax, depreciation and amortisation, share of profit/(loss) from joint venture, equity-settled share-based payments and exceptional items (EBITDA) shall not exceed 3.50:1.00
- the ratio of EBITDA to net finance charges in respect of the relevant period shall not be less than 4.00:1.00.

The Group has complied with its covenants throughout the financial year.

Net borrowings comprise current and non-current interest-bearing loans and borrowings of £34,602k (2023: £36,527k), as per note 19, and cash and cash equivalents of £10,534k (2023: £6,294k) as per note 17.

NOTES
(CONT.)

22. Financial instruments and financial risk management (cont.)

	As at 31 December 2024 £'000	As at 31 December 2023 £'000
Net borrowings	**24,068**	30,233
EBITDA	**28,190**	24,687
Net borrowings/EBITDA	**0.85**	1.22
Net finance charges	**2,600**	2,212
EBITDA/Net finance charges	**10.84**	11.16

Net borrowings comprise current and non-current interest-bearing loans and borrowings of £34,602k (2023: £36,527k), as per note 19, and cash and cash equivalents of £10,534k (2023: £6,294k).

The definition of net finance charges for the purpose of calculating the ratio of EBITDA to net finance charges includes bank loan interest expensed of £2,738k, less interest income of £138k, that being gross interest of £274k less interest income from customers of £136k.

EBITDA comprises:

	Note	2024 £'000	2023 £'000
(Loss)/profit for the year		**(2,755)**	9,242
Depreciation and amortisation	11,12,13	**8,983**	8,217
Finance costs	7	**2,873**	2,349
Share of profit from joint venture	10	**(74)**	(54)
Equity-settled share-based payments	25	**1,077**	1,335
Taxation	8	**2,908**	3,598
EBITDA before exceptional items		**13,012**	24,687
Add back exceptional items		**15,178**	–
EBITDA		**28,190**	24,687

The definition of finance costs when calculating EBITDA includes finance costs expensed of £3,147k less interest income of £274k, as per note 7 and the income statement.

The Group's objective is to maintain leverage below the Board's appetite of 2.0. However, it is prepared to accept increases in this ratio at times of sizeable, capacity-related, capital expenditure in order to support continued growth. Subject to short-term macroeconomic and geopolitical volatility, this is always expected to reduce quickly back below the Board's appetite, and to significantly lower levels, as capacity utilisation improves.

The bank covenant definition does not include the impact of IFRS 16 "Leases", which would have moved the ratio from 0.85 to 1.17.

The Group defines its return on capital as operating profit before exceptional items divided by the average sum of its equity, net debt and other non-current liabilities. This measure excludes acquired intangible assets and their amortisation costs. The Group also excludes significant capacity investments under construction until they enter production. In 2024, the return on capital was 11.7% (2023: 10.3%), mostly reflecting improved profitability in the year.

23. Commitments – Group

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:				
Property, plant and equipment	**1,737**	2,309	**103**	938

24. Post-employment benefits

Defined benefit pension plans

The Company operates a UK registered trust-based pension scheme that provides defined benefits. In 2001, the Company closed the Defined Benefit Pension Scheme ("DB Scheme") to new members, while in 2005 the DB Scheme was closed to the future accrual of benefits, and all active members at that time transferred to a defined contribution scheme, substantially de-risking the Company's financial and accounting exposure to the DB Scheme's obligations. Following legal advice in 2017 that the closure had not been completed with respect to the breaking of linkage with future increases in salary, amendments were made in 2018 and the linkage duly broken.

Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Trustees are responsible for running the DB Scheme in accordance with the DB Scheme's Trust Deed and Rules, which set out their powers. The Trustees of the DB Scheme are required to act in the best interests of the beneficiaries of the DB Scheme. There is a requirement that one-third of the Trustees are nominated by the members of the DB Scheme.

There are three categories of pension scheme members:

- deferred members with salary linkage: current employees of the Company who have not consented to the break in their salary link
- deferred members: former and current employees of the Company not yet in receipt of pension
- pensioner members: in receipt of pension.

The defined benefit obligation is valued by projecting the best estimate of future benefit outgoings (allowing for future salary increases for deferred members with salary linkage, revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the statement of financial position date. The majority of benefits receive increases in line with inflation (subject to a cap of no more than 5% per annum). The valuation method is known as the Projected Unit Method. The approximate overall duration of the DB Scheme's defined benefit obligation as at 31 December 2024 was 10 years (2023: 13 years).

Future funding obligation

The Trustees are required to carry out an actuarial valuation every three years.

The last actuarial valuation of the DB Scheme was performed by the DB Scheme Actuary for the Trustees as at 5 April 2023. This valuation revealed a funding shortfall of £2.87 million.

In respect of the deficit in the DB Scheme as at 5 April 2023, the Company has agreed to pay £643,200 p.a. from 31 July 2024 for 4 years. In addition, the Company will pay £216,000 p.a. to cover administration expenses, Payment Protection Fund levies and premiums for death in service lump sums associated with the Scheme. The Company therefore currently expects to pay £859,200 to the Scheme during the calendar year beginning 1 January 2025.

Method and assumptions

The initial results of the valuation as at 5 April 2023 have been updated to 31 December 2024 by a qualified independent actuary.

The assumptions used were as follows:

	As at 31 December 2024	As at 31 December 2023
Discount rate	**5.50%**	4.60%
RPI inflation	**3.10%**	3.00%
CPI inflation	**2.80%**	2.70%
Salary increases	**2.80%**	2.70%
Pension increases		
– Post 88 guaranteed minimum pension	**2.30%**	2.30%
– Non guaranteed minimum pension	**3.00%**	3.00%
Revaluation of deferred pensions in excess of guaranteed minimum pension	**2.80%**	2.70%
Mortality (pre and post-retirement)	**100% S4PMA_M/ 100% S4PFA_M CMI_2023_M/F 1.25% (yob)**	100% S3PMA_M/ 100% S3PFA_M CMI_2023_M/F 1.25% (yob)

Life expectancies (in years):

	Year ended 31 December 2024		Year ended 31 December 2023	
	Males	**Females**	Males	Females
For an individual aged 65 in 2024	**20.8**	**23.4**	20.8	23.3
At age 65 for an individual aged 45 in 2024	**22.1**	**24.9**	22.1	24.8

NOTES (CONT.)

24. Post-employment benefits (cont.)

Risks

Through the Scheme, the Company is exposed to a number of risks:

- Asset volatility: the Scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields; however, the Scheme invests significantly in equities and other growth assets. These assets are expected to outperform corporate bonds in the long term, but are subject to increased volatility and risk in the short term.
- Changes in bond yields: a decrease in corporate bond yields would increase the Scheme's defined benefit obligation; however, this would be partially offset by an increase in the value of the Scheme's bond holdings.
- Inflation risk: a significant proportion of the Scheme's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place). The majority of the Scheme's assets are either unaffected by inflation, or are only loosely correlated with inflation, therefore an increase in inflation would also increase the deficit.
- Life expectancy: if Scheme members live longer than expected, the Scheme's benefits will need to be paid for longer, increasing the Scheme's defined benefit obligation.

The Company is aware of the 2023 ruling in the Virgin Media v NTL Pension Trustee case and subsequent court of appeal ruling published in July 2024. These ruled that certain amendments made to the NTL Pension Plan were invalid because they were not accompanied by the correct actuarial confirmation.

There remains significant uncertainty as to whether the judgments will result in additional liabilities for UK pension schemes and it is possible that the Department for Work & Pensions will introduce legislation to allow changes to be certified retrospectively. A detailed review of historic documentation will be needed to determine whether the changes made by the Scheme were valid (assuming retrospective certification does not become an option), and such a review will take some time to complete.

As a result, the Company cannot be certain of the potential implications (if any) and therefore a sufficiently reliable estimate of any effect on the obligation cannot be made.

The Trustees and Company manage risks in the Scheme through the following strategies:

- Diversification: investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.
- Investment strategy: the Trustees are required to review their investment strategy on a regular basis.
- Asset-liability matching (ALM): the Scheme invests in an ALM framework that aims to achieve long-term investment returns in line with the obligations under the Scheme. This is achieved through around 25% of assets being invested in Liability Driven Investment funds.

	Change in assumption	Change in defined benefit obligation
Discount rate	+0.5%/–0.5% p.a.	–6%/+6%
RPI inflation	+0.5%/–0.5% p.a.	+5%/–5%
Assumed life expectancy	+1 year	+3%

These calculations provide an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated.

The assets of the Scheme are invested as follows:

	Year ended 31 December 2024		Year ended 31 December 2023	
Asset class	**Market value £'000**	**% of total Scheme assets**	Market value £'000	% of total Scheme assets
Equities and other growth assets	**4,676**	**20%**	6,812	29%
Diversified Credit Funds	**9,158**	**40%**	9,352	39%
Liability Driven Investments	**6,120**	**26%**	6,798	28%
Cash	**2,610**	**11%**	185	1%
Other	**602**	**3%**	661	3%
Total	**23,166**	**100%**	23,808	100%
Actual return on assets over the year	**(296)**		1,516	

Note: All assets listed above have a quoted market price in an active market (except for the reserve for insured pensioners).

24. Post-employment benefits (cont.)

The amounts recognised in the statement of financial position are determined as follows:

	2024 £'000	2023 £'000
Market value of plan assets	**23,166**	23,808
Present value of Defined Benefit Pension Scheme obligation	**(24,718)**	(26,464)
Deficit – recognised as a liability in the statement of financial position	**(1,552)**	(2,656)

The movement in the defined benefit obligation over the year is as follows:

	2024 £'000	2023 £'000
Value of defined benefit obligation at the start of the year	**26,464**	26,062
Interest cost	**1,190**	1,219
Benefits paid	**(1,205)**	(1,339)
Actuarial losses: experience differing from that assumed	**562**	596
Actuarial gains: changes in demographic assumptions	**(130)**	(491)
Actuarial (gains)/losses: changes in financial assumptions	**(2,163)**	417
Value of defined benefit obligation at the end of the year	**24,718**	26,464

The movement in the value of the plan assets over the year is as follows:

	2024 £'000	2023 £'000
Market value of plan assets at the start of the year	**23,808**	22,772
Interest income	**1,087**	1,082
Actual return on plan assets	**(1,383)**	434
Employer contributions	**859**	859
Benefits paid	**(1,205)**	(1,339)
Market value of assets at the end of the year	**23,166**	23,808

The table below outlines where the Company's post-employment amounts and activity are included in the financial statements.

	2024 £'000	2023 £'000
Statement of financial position for:		
– Defined Benefit Pension Scheme obligations	**(1,552)**	(2,656)
Income statement charge for:		
– Defined benefit pension interest cost	**(103)**	(137)
Actuarial gains/(losses) recognised in other comprehensive income for:		
– Defined Benefit Pension Scheme	**348**	(88)

Other pension schemes

On 1 January 2006 a separate stakeholder scheme was set up for those employees who were originally in the closed Defined Benefit Pension Scheme. In addition to the above, the Company created two further stakeholder schemes for future joiners. The contributions paid by the Company in 2024 were £1,238k (2023: £1,025k).

For certain non-UK-based employees of the Company, the Company makes contributions into individual schemes. The contributions paid by the Company in 2024 were £6k (2023: £5k).

For USA-based employees, Zotefoams Inc operates a 401(k) plan. The contributions paid by Zotefoams Inc in 2024 were £425k (2023: £447k).

NOTES
(CONT.)

25. Share-based payments

The Company has a share option scheme that entitles senior management personnel to purchase shares in the Company. Options are exercisable at a price equal to the lower of the mid-market price of the Company's shares the day before the option is granted or the average mid-market price for the three dealing days before the option is granted. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant, the options will expire. Depending on the circumstances, options may be forfeited if the employee leaves the Company before the options vest.

In 2007, the Company introduced a Long-Term Incentive Plan (LTIP) scheme for senior management personnel. Shares are awarded in the Company and vest after three years to the extent that performance conditions are met. Dependent on the circumstances, awards are normally forfeited if the employee leaves the Company before the award vests. A new LTIP scheme was introduced in 2017, which operates in a similar way to the LTIP scheme introduced in 2007. No new awards are made under the 2007 scheme. Depending on the circumstances, options are normally forfeited if the employee leaves the Company before the options vest.

In 2007, the Company introduced a Deferred Bonus Share Plan. Under the terms of this plan, executive bonuses with a value equivalent to over 40% of eligible salary were held as deferred shares for three years. In 2014, the Remuneration Committee amended the Deferred Bonus Share Plan for bonuses awarded since 2014, such that 25% of executive bonuses are held as deferred shares for three years with no minimum value. Depending on the circumstances, awards are normally forfeited if the employee leaves the Company before the award vests. A new Deferred Bonus Share Plan scheme was introduced in 2017, which operates in a similar way to the old Plan introduced in 2007, as amended in 2014. No new awards are made under the 2007 Plan. Depending on the circumstances, awards are normally forfeited if the employee leaves the Company before the award vests.

Details of the vesting conditions for the share, share option and LTIP awards are given in the Directors' Remuneration report on pages 84 to 97.

Movements in share options during the year are as follows:

The options outstanding at 31 December 2024 have an exercise price between 290.0p and 432.5p and a weighted contractual life of eight years (2023: six years).

There were no cancellations or modifications to the awards in 2024 or 2023.

The fair value received in return for share options granted is measured by reference to the fair value of share options granted using a Black-Scholes-Merton model. The contractual life of the option (ten years) is used as an input into this model. No allowance is made for early leavers.

Movements in HMRC awards are as follows:

	2024		2023	
	Number of share options	**Weighted average exercise price (p)**	Number of share options	Weighted average exercise price (p)
Outstanding at the beginning of the year	**127,415**	**345**	119,294	342
Exercised during the year	**(17,265)**	**359**	–	–
Granted during the year	**9,537**	**419**	8,121	394
Forfeited during the year	**(17,650)**	**340**	–	–
Outstanding at the end of the year	**102,037**	**351**	127,415	345
Exercisable at the end of the year	**59,035**	**345**	54,546	293

Movements in LTIP awards during the year are as follows:

	2024		2023	
	Number of share options	**Weighted average exercise price (p)**	Number of share options	Weighted average exercise price (p)
Outstanding at the beginning of the year	**1,181,012**	**–**	1,007,958	–
Exercised during the year	**(68,437)**	**–**	(45,438)	–
Granted during the year	**418,894**	**–**	382,464	–
Forfeited during the year	**(234,837)**	**–**	(163,972)	–
Outstanding at the end of the year	**1,296,632**	**–**	1,181,012	–
Exercisable at the end of the year	**147,734**	**–**	–	–

25. Share-based payments (cont.)

Movement in Deferred Bonus Share Plan awards during the year are as follows:

	2024		2023	
	Number of share options	**Weighted average exercise price (p)**	Number of share options	Weighted average exercise price (p)
Outstanding at the beginning of the year	**77,510**	**–**	63,702	–
Exercised during the year	**(12,870)**	**–**	(38,639)	–
Granted during the year	**75,340**	**–**	52,447	–
Forfeited during the year	**–**	**–**	–	–
Outstanding at the end of the year	**139,980**	**–**	77,510	–
Exercisable at the end of the year	**–**	**–**	–	–

Fair value of share options and assumptions

The expected volatility is based on historic volatility for a three-year period prior to the award.

	19-Apr-22	18-Apr-23	8-Apr-24
Share price (p)	325.0	394.0	419.3
Exercise price (p)	325.0	394.0	359.1
Expected volatility	48%	39%	46%
Option life	Three years	Three years	Three years
Expected dividends (p) (assumed to be increasing at 2.5% p.a.)	6.5	7.1	7.5
Risk-free interest rate (based on national government bonds)	2.00%	3.75%	3.75%
Fair value at grant date (p)	98.0	106.0	80.6

The Company's employee share option awards are granted under a service condition and a performance condition. There are no market conditions associated with the share options. The LTIP awards are granted under a service condition and a performance condition, part of which is a market condition. The Deferred Bonus Plan awards are granted under a service condition.

The amounts recognised in the income statement for equity-settled share-based payments are as follows:

	2024 £'000	2023 £'000
Within administrative expenses – share-based payment charge	**1,077**	1,335
– related National Insurance	**105**	161

Of the above, amounts relating to Directors of Zotefoams plc aggregate to £966k (2023: £867k).

NOTES
(CONT.)

26. Related parties

Directors

The Directors of the Company as at 31 December 2024 and their immediate relatives control approximately 0.92% (2023: 1.27%) of the voting shares of the Company. Details of Directors' pay and remuneration are given in the Directors' Remuneration report on pages 84 to 97. Executive Directors are considered to be the only key management personnel. Details of compensation paid to key management personnel are included in note 6.

Subsidiaries and joint venture

Details of the joint venture and subsidiaries of the Company are set out in notes 10 and 14. These companies are considered to be related parties.

The following material transactions were carried out with related parties:

	2024 £'000	2023 £'000
Sale of goods: subsidiaries of the Company	**3,954**	4,434
Sale of services: subsidiaries of the Company	**3,528**	2,598
Loans granted (net of repayments) to subsidiaries of the Company	**2,089**	(708)
Interest income: subsidiaries of the Company	**1,372**	1,302
Sale of goods: joint venture of the Company	**3,514**	2,944
Sale of service: joint venture of the Company	**558**	368
Total	**15,015**	10,938

Balances between the Company and its active subsidiaries and joint venture are as follows:

	Receivable from/(payable to)		Investment in	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Zotefoams Inc	**20,249**	12,669	**–**	–
Azote Asia Limited	**1,257**	1,000	**–**	–
MuCell Extrusion LLC	**–**	7,904	**–**	–
Zotefoams International Limited	**12,983**	15,487	**30,822**	30,822
Zotefoams Operations Limited	**(18)**	–	**–**	–
Zotefoams T-FIT Material Technology (Kunshan) Limited	**796**	2,014	**–**	–
Zotefoams Poland Sp. z o.o.	**1,828**	1,190	**–**	–
Zotefoams France SAS	**(107)**	(73)	**–**	–

27. Accounting estimates and judgements for the Group and Company

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities which are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other facts that are considered relevant. Actual amounts may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

i) Estimated impairment of goodwill and intangibles

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.11.

The determination of impairment in the carrying value of goodwill and intangible assets requires judgements to be made by the Directors. These assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to the conclusion that the carrying value of such assets is not supportable.

In relation to the operational MuCell Extrusion business that licenses technology and sells related technology, following the decision to pause investment in the MEL business all intangibles and goodwill relating to this were impaired to zero at the year end with a corresponding charge to exceptional items in the income statement. The value of intangibles impaired was £11,640k of which £2,389k related to goodwill.

Impairments were also made to MuCell PPE. The net book value of the remaining PPE is £689k, and a provision of £1,381k has also been made for closure costs of the MEL business in the USA and Denmark. See note 4 for further details.

ii) Pension assumptions

The present value of the defined benefit pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. The Company engages an independent actuary to perform the valuation and assist in determining appropriate assumptions at the end of each year. The valuation is prepared by an independent qualified actuary, but significant judgements are required in relation to the assumptions for pension increases, inflation, the discount rate applied, investment returns and member longevity, all of which underpin the valuations. Note 24 contains information about the assumptions relating to retirement benefit obligations.

iii) General provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

iv) Leases estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

v) Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model, including the expected life of the share option or appreciation right, volatility and dividend yield, and making assumptions about them. The Group uses the Black-Scholes-Merton model to estimate the fair value of instruments. The Black-Scholes-Merton formula has been adjusted to take account of certain characteristics of share options, such as the probability of vesting and meeting the performance conditions of LTIPs. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 25.

vi) Shincell licence

The Shincell licence has been capitalised as a right-of-use asset and a judgement been made as to its useful life, which was assessed to be ten years based on the expected period during which the technology will provide incremental value.

Key judgements

i) Unrecognised deferred tax assets

At year-end exchange rates, the Group has tax losses carried forward of £21,884k in the USA and £10,742k in Poland, while tax losses of £703k have been recognised on the statement of financial position. Based on projections, the Group expects to use all these carried forward tax losses; however, management has taken a prudent approach based on historical performance by the entities in this tax jurisdiction and recognised a lower figure. If the Group makes two consecutive years of profit in the USA, further consideration will be given to recognising a deferred tax asset.

28. Events after the reporting period

There are no events after the reporting period affecting these financial statements.

FIVE-YEAR TRADING SUMMARY

	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Group revenue	**147.8**	127.0	127.4	100.8	82.7
Operating profit (excluding exceptional item)	**18.1**	15.1	13.9	8.1	9.1
Profit before tax (excluding exceptional item)	**15.3**	12.8	12.2	7.0	8.3
Profit before tax	**0.2**	12.8	12.2	7.0	8.3
(Loss)/profit after tax	**(2.8)**	9.2	10.0	4.4	7.2
Capital expenditure (including intangibles)	**13.3**	8.5	7.0	7.0	12.7
Cash generated from operations	**30.4**	12.1	23.0	12.2	13.0
Basic earnings per share excluding exceptional item (p)	**25.95**	19.00	20.61	9.01	14.87
Basic earnings per share (p)	**(5.66)**	19.00	20.61	9.01	14.87
Dividends per ordinary share (p)	**7.48**	7.18	6.80	6.50	6.30

NOTICE OF THE 2025 ANNUAL GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, it is recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the UK or, if you reside elsewhere, another appropriately authorised financial adviser.

If you have sold or otherwise transferred your shares in Zotefoams plc, you should forward this document and other documents enclosed as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

ZOTEFOAMS PLC

Notice of Annual General Meeting

Zotefoams plc considers it vital to engage with investors and other stakeholders through the most appropriate channels. Shareholders' views are important and we want to ensure that they are given as much information as possible in good time to enable them to participate in the decision-making process.

Notice is hereby given that the Annual General Meeting (AGM) of Zotefoams plc (the "Company") will be held at the registered office of the Company, **675 Mitcham Road, Croydon, CR9 3AL, on 22 May 2025 at 10.00 am** for the following purposes.

Ordinary business

1. To receive the Annual Report of the Company for the year ended 31 December 2024.
2. To approve the Annual Statement by the Chair of the Remuneration Committee and the Annual Report on Remuneration for the year ended 31 December 2024 set out on pages 84 to 97 of the Annual Report.
3. To declare a final dividend for the year ended 31 December 2024 of 5.10 pence per ordinary share, such dividend to be payable on 2 June 2025 to shareholders on the register of members of the Company at the close of business on 2 May 2025.
4. To re-elect L Drummond as a Director.
5. To re-elect R M Cox as a Director.
6. To re-elect G C McGrath as a Director.
7. To re-elect J D Carling as a Director.
8. To re-elect D G Robertson as a Director.
9. To re-elect M S Swift as a Director.
10. To re-elect C A Wall as a Director.
11. That PKF Littlejohn LLP be and is hereby re-appointed as Auditor of the Company to hold office from the conclusion of the AGM until the conclusion of the next general meeting at which accounts are laid before the Company.
12. To authorise the Audit Committee to determine the Auditor's remuneration.

Special business

To consider and, if thought fit, to pass the following resolutions, of which resolutions 13 and 17 will be proposed as ordinary resolutions and resolutions 14, 15, 16 and 18 will be proposed as special resolutions.

13. That, in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the Directors be, and are generally and unconditionally, authorised pursuant to Section 551 of the Companies Act 2006 (the "Act"):

    (a) to exercise all powers of the Company to allot shares in the Company and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company, being "relevant securities") up to an aggregate nominal amount of £814,103 (such amount to be reduced by the nominal amount of any allotments or grants made under paragraph (b) below in excess of £814,103); and further

    (b) to allot equity securities (as defined in Section 560 of the Act) up to an aggregate nominal amount of £1,628,207 (such amount to be reduced by the nominal amount of any allotments or grants made under paragraph (a) above) in connection with an offer by way of rights issue:

    (i) in favour of holders of ordinary shares in the capital of the Company, where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as practicable) to the respective number of ordinary shares in the capital of the Company held by them; and

    (ii) to holders of any other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary;

    but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal, regulatory or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any regulatory body or stock exchange or any other matter whatsoever;

    (c) provided that, unless previously revoked, varied or extended, this authority shall expire on the earlier of 30 June 2026 and the conclusion of the next AGM of the Company, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired.

14. That, if resolution 13 is passed, the Directors be authorised to allot equity securities (as defined in Section 560 of the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if Section 561 of the Act did not apply to any such allotment or sale, such authority to be limited:

    a) in favour of holders of ordinary shares in the capital of the Company, where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as practicable) to the respective number of ordinary shares in the capital of the Company held by them; and

    (b) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount of £122,115;

    such authority to expire at the conclusion of the next AGM of the Company (or, if earlier, on 30 June 2026) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

NOTICE OF THE 2025 ANNUAL GENERAL MEETING (CONT.)

15. That, if resolution 13 is passed, the Directors be authorised in addition to any authority granted under resolution 14 to allot equity securities (as defined in Section 560 of the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if Section 561 of the Act did not apply to any such allotment or sale, such authority to be:

    (a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £122,115; and

    (b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice;

    such authority to expire at the conclusion of the next AGM of the Company (or, if earlier, on 30 June 2026) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

16. That the Company be and is hereby unconditionally and generally authorised for the purposes of Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of its ordinary shares of 5 pence each ("ordinary shares") provided that:

    (a) the maximum number of ordinary shares authorised to be purchased is 4,884,623, representing approximately 10% of the issued ordinary share capital as at 6 April 2025;

    (b) the minimum price which may be paid for any such ordinary share is 5 pence;

    (c) the maximum price which may be paid for an ordinary share shall be an amount equal to 105% of the average middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased; and

    (d) this authority shall, unless previously renewed, revoked or varied, expire on the earlier of 30 June 2026 and the conclusion of the next AGM, but the Company may enter into a contract for the purchase of ordinary shares before the expiry of this authority which would or might be completed (wholly or partly) after its expiry.

17. That the amendments to the rules of the Zotefoams plc Share Incentive Plan (SIP), described in the circular of which the notice containing this resolution forms part and in the form produced to the meeting and for the purposes of identification initialled by the Chair of the meeting, to extend the termination date of the SIP from 13 May 2025 to 22 May 2035; be and are hereby approved and adopted and that the Directors be and are hereby authorised to do all such other acts and things as they may consider appropriate to implement the same.

18. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

Dated: 7 April 2025
By order of the Board

Registered Office:
675 Mitcham Road
Croydon
CR9 3AL

L Harratt
Company Secretary

Notes

(i) Pursuant to Part 13 of the Companies Act 2006 and to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those members registered in the register of members of the Company at the close of business on 20 May 2025 (or if the AGM is adjourned, 48 hours before the time fixed for the adjourned AGM) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. In each case, changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the AGM.

(ii) If you wish to attend the AGM in person, please bring some form of identification (such as driver's licence or bank card) and present this to the Company's reception desk on arrival.

(iii) A member who is entitled to attend, speak and vote at the AGM may appoint a proxy to attend, speak and vote instead of him or her. A member may appoint more than one proxy, provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A proxy need not be a member of the Company but must attend the AGM in order to represent you. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. Appointing a proxy will not prevent a member from attending in person and voting at the AGM (although voting in person at the AGM will terminate the proxy appointment). A proxy form is enclosed or has been sent to you separately. The notes to the proxy form include instructions on how to appoint the Chair of the AGM or another person as a proxy. You can only appoint a proxy using the procedures set out in these notes and in the notes to the proxy form.

(iv) To be valid, a proxy form, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, should reach the Company's registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, by no later than 10.00 am on 20 May 2025.

(v) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

    In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

    CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions.

It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure his or her CREST sponsor or voting service provider(s) to take) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (www.euroclear.com/CREST).

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

(vi) In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.

(vii) The following information is available at www.zotefoams.com: (1) the matters set out in this notice of AGM; (2) the total numbers of shares in the Company, and shares in each class, in respect of which members are entitled to exercise voting rights at the AGM; (3) the totals of the voting rights that members are entitled to exercise at the AGM, in respect of the shares of each class; and (4) members' statements, members' resolutions and members' matters of business received by the Company after the first date on which notice of the AGM was given.

(viii) If you are a person who has been nominated by a member to enjoy information rights in accordance with Section 146 of the Companies Act 2006, notes (iii) to (v) above do not apply to you (as the rights described in these notes can only be exercised by members of the Company) but you may have a right under an agreement between you and the member by whom you were nominated to be appointed or to have someone else appointed, as a proxy for the meeting. If you have no such right or do not wish to exercise it, you may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

(ix) A member that is a company, or other organisation not having a physical presence, cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: by the appointment of either a proxy (described in notes (iii) to (v) above) or a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's Articles of Association and the relevant provision of the Companies Act 2006.

(x) Members attending the AGM have the right to ask, and, subject to the provisions of the Companies Act 2006, the Company must cause to be answered, any questions relating to the business being dealt with at the AGM.

(xi) As at the close of business on 6 April 2025 (being the latest practicable date before publication of this notice), the Company's issued share capital comprised 48,846,234 ordinary shares of 5 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company. No ordinary shares were held in treasury and accordingly the total number of voting rights in the Company as at the close of business on 5 April 2025 is 48,846,234.

(xii) Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (1) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (2) any circumstance connected with the Auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006.

The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Section 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required, under Section 527 of the Companies Act 2006, to publish on a website.

(xiii) Copies of the Executive Directors' service contracts with the Company and any of its subsidiary undertakings, deeds of indemnity in favour of the Directors, letters of appointment of the Non-Executive Directors and a copy of the rules of the Zotefoams plc Share Incentive Plan are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this notice until the conclusion of the AGM. A copy of the rules of the Zotefoams plc Share Incentive Plan is also available for inspection on the National Storage Mechanism.

Explanatory notes to the resolutions

Ordinary business

Resolution 1 – Receiving the Annual Report

Shareholders will be asked to receive the Company's Annual Report for the financial year ended 31 December 2024, as required by law.

Resolution 2 – Directors' Remuneration report

Resolution 2 seeks shareholder approval of the Directors' Remuneration report for the year ended 31 December 2024 which can be found on pages 84 to 97 of the Annual Report. The Company's External Auditor, PKF Littlejohn LLP, has audited those parts of the Directors' Remuneration report that are required to be audited and its report may be found on pages 102 to 106 of the Annual Report.

The shareholders approved the current Directors' Remuneration Policy at the AGM held on 24 May 2023 and it became effective immediately. As there have been no changes to the Directors' Remuneration Policy, there is no need to seek further approval of it at this year's AGM. The current intention is to submit the Directors' Remuneration Policy for shareholder approval at the AGM scheduled for 2026, unless, in the interim, there are specific changes that require shareholder approval. The Directors' Remuneration Policy may be found in the 2022 Annual Report on pages 91 to 99.

Resolution 3 – Declaration of dividend

This resolution concerns the Company's final dividend payment. The Directors are recommending a final dividend of 5.10 pence per ordinary share in respect of the year ended 31 December 2024 which, if approved, will be payable on 2 June 2025 to the shareholders on the register of members on 2 May 2025.

Resolutions 4 to 10 – Re-election of Directors

The Company's Articles of Association require each Director of the Company to retire from office at each Annual General Meeting of the Company and, if they are willing, to offer themselves for re-appointment by the shareholders. Biographies for the Directors are set out on pages 72 to 73 of the Annual Report for the year ended 31 December 2024. With the Chair having undertaken performance reviews of the Directors, and the Non-Executive Directors having undertaken a performance review of the Chair, the Board is satisfied that each Director continues to be effective and demonstrates commitment to the role and recommends that each Director should be re-elected.

Resolutions 11 and 12 – Re-appointment of Auditor and its remuneration

Resolution 11 concerns the re-appointment of PKF Littlejohn LLP as the Company's Auditor, to hold office until the conclusion of the Company's next general meeting where accounts are laid. Resolution 12 authorises the Audit Committee to determine the Auditor's remuneration.

NOTICE OF THE 2025 ANNUAL GENERAL MEETING (CONT.)

Special business

Resolution 13 – Power to allot shares

This resolution grants the Directors authority to allot shares in the capital of the Company and other relevant securities up to an aggregate nominal value of £814,103, representing approximately one-third of the nominal value of the issued ordinary share capital of the Company as at 6 April 2025, being the latest practicable date before publication of this notice. In addition, in accordance with the latest institutional guidelines issued by the Investment Association, paragraph (b) of resolution 13 grants the Directors authority to allot further equity securities up to an aggregate nominal value of £1,628,207 representing approximately two-thirds of the nominal value of the issued ordinary share capital of the Company as at 6 April 2025, being the latest practicable date before publication of this notice. This additional authority may only be applied to fully pre-emptive rights issues.

The intention of the authority granted pursuant to paragraph (b) of resolution 13 is to preserve maximum flexibility and if the Directors do exercise this authority, they intend to follow best practice as regards its use.

The Company does not currently hold any shares as treasury shares within the meaning of Section 724 of the Companies Act 2006 ("Treasury Shares").

The Directors consider it desirable that the specified amount of authorised but unissued share capital is available for issue so that they can more readily take advantage of possible opportunities, which may include the allotment of shares to the Employee Benefit Trust for the purpose of fulfilling future potential awards.

Unless revoked, varied or extended, this authority will expire at the conclusion of the next AGM of the Company or 30 June 2026, whichever is the earlier.

Resolutions 14 and 15 – Authority to allot shares disregarding pre-emption rights

These resolutions authorise the Directors in certain circumstances to allot equity securities for cash other than in accordance with the statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings). Resolution 14 authorises the Directors to issue shares where either the allotment takes place in connection with a rights issue or the allotment is limited to a maximum nominal amount of £122,115, representing approximately 5% of the nominal value of the issued ordinary share capital of the Company as at 6 April 2025, being the latest practicable date before publication of this notice. Resolution 15 authorises the Directors to issue a further 5% of the issued ordinary share capital of the Company, but only to be used to raise finance for an acquisition or a specified capital investment (within the meaning given in the Pre-Emption Group's Statement of Principles) which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

Unless revoked, varied or extended, these authorities will expire at the conclusion of the next AGM of the Company or 30 June 2026, whichever is the earlier.

The Directors consider that the powers proposed to be granted by these resolutions are necessary to retain flexibility, although they do not have any intention at the present time of exercising them. In accordance with the Pre-Emption Group's Statement of Principles, the Directors confirm that they do not intend to issue more than 7.5% of the issued ordinary share capital of the Company on a non-pre-emptive basis in any rolling three-year period without prior consultation with shareholders.

Resolution 16 – Authority to purchase shares (market purchases)

This resolution authorises the Board to make market purchases of up to 4,884,623 ordinary shares (representing approximately 10% of the Company's issued ordinary shares as at 6 April 2025, being the latest practicable date before publication of this notice). Shares so purchased may be cancelled or held as treasury shares. The authority will expire at the end of the next AGM of the Company or 30 June 2026, whichever is the earlier. The Directors intend to seek renewal of this authority at subsequent AGMs.

The minimum price that can be paid for an ordinary share is 5 pence, being the nominal value of an ordinary share. The maximum price that can be paid is 5% over the average of the middle market prices for an ordinary share, derived from the Daily Official List of the London Stock Exchange, for the five business days immediately before the day on which the share is contracted to be purchased.

The Directors intend to exercise this right only when, in light of the market conditions prevailing at the time and taking into account all relevant factors (for example, the effect on earnings per share), they believe that such purchases are in the best interests of the Company and shareholders in general and will result in an increase in earnings per ordinary share. The overall position of the Company will be taken into account before deciding upon this course of action. The decision as to whether any such shares bought back will be cancelled or held in treasury will be made by the Directors on the same basis at the time of the purchase.

As at 6 April 2025, being the latest practicable date before publication of this notice, there were outstanding awards under the Company's long-term incentive schemes (excluding the Share Incentive Plan) in respect of 1,374,248 ordinary shares in the capital of the Company representing 2.8% of the Company's issued ordinary share capital. If the authority to purchase the Company's ordinary shares were exercised in full, such awards would represent 3.1% of the Company's issued ordinary share capital.

Resolution 17 – Extension of the Zotefoams plc Share Incentive Plan

Resolution 17 extends the operation of the Zotefoams plc Share Incentive Plan (SIP), which was approved by the Shareholders on 13 May 2015.

The Company operates the SIP, an all-employee tax-advantaged share incentive plan, which encourages employees to build a stake in the Company and create value for all shareholders. The Directors' authority to issue new shares or transfer treasury shares out of treasury for the purposes of the SIP expires on 13 May 2025, and therefore it will not be possible to grant further awards under the SIP after 13 May 2025. Shareholder approval is sought to extend the life of the SIP for a further ten years until 22 May 2035 to enable the Company to continue to operate the SIP.

The principal terms of the SIP are set out in the Appendix to this document on page 159. The SIP provides for the acquisition by employees within the Zotefoams Group of beneficial interests in fully paid ordinary shares to be held on their behalf by a plan trustee subject to the rules of the SIP. There is a limit on the issue of new shares for the purposes of the SIP as described further in the Appendix.

Resolution 18 – Notice period for general meetings

Under the Companies Act 2006, a listed company must give at least 21 days' notice of its general meetings. However, the Act enables general meetings (other than AGMs) to be held on shorter notice of not less than 14 days, provided the shareholders have given their consent at the previous AGM or a general meeting held since the last AGM. Resolution 18 seeks such approval similar to the resolution that was passed last year. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed. The Directors will always endeavour to give as much notice as possible of general meetings, but would like to have the flexibility to call a general meeting on the shorter permitted notice period for time-sensitive matters that are clearly in the shareholders' interests and otherwise for non-routine business, where merited, in the interests of shareholders as a whole. If the authority is used, the Company will offer the ability, as required by the Companies Act 2006, to vote electronically.

Recommendation

The Directors consider that the proposals being put to the shareholders at the AGM are in the best interests of the Company and of the shareholders as a whole. Accordingly, the Directors recommend that you vote in favour of the resolutions set out in the Notice of the AGM, as they intend to do in respect of their own beneficial holdings of ordinary shares.

APPENDIX: SUMMARY OF THE MAIN PROVISIONS OF THE ZOTEFOAMS PLC SHARE INCENTIVE PLAN (SIP)

General

The SIP is, and was, registered with His Majesty's Revenue & Customs on 14 May 2015 as, a "qualifying Schedule 2 share incentive plan" as mentioned in Section 488 and Schedule 2, Income Tax (Earnings and Pensions) Act 2003 (the "relevant provisions"). The SIP provides for shares to be acquired by eligible employees as outlined below. Shares acquired under the SIP must be held by the plan trustee (the "SIP Trustee").

Eligibility

All UK resident employees of the Zotefoams Group (the "Group") who have been employed for a minimum period (as permitted by the relevant provisions) are eligible to participate in the SIP on any occasion on which awards of shares are proposed to be made.

The Directors may decide to create a scheme similar to the SIP for the benefit of employees located outside the UK based on the SIP but modified to take account of local taxation, exchange control or securities laws in overseas territories provided that any shares made available under any such further schemes are treated as counting against the limits on individual or overall participation in the SIP.

Partnership Shares and Matching Shares

Eligible employees may be invited to agree that up to £1,800 p.a. (or such other amount as may be specified in the relevant provisions) of pre-tax salary may be applied to the acquisition of shares in the Company ("Partnership Shares") to be held on his or her behalf by the SIP Trustee. Insofar as employees elect to acquire Partnership Shares in any year, the Directors may procure the transfer to such participants of additional shares ("Matching Shares"), free of charge, but not to exceed (currently) two free Matching Shares for each Partnership Share so acquired. Subject to the aforementioned limit, the number of Matching Shares made available in any year is at the absolute discretion of the Directors and may be determined by reference to the performance of the Group over such period as the Directors may determine. Currently, the Directors operate the SIP by procuring the transfer of one Matching Share to participants for every four Partnership Shares acquired. A participant may at any time withdraw his or her Partnership Shares from the SIP and will be required to do so on leaving employment. The Directors may stipulate that if a participant leaves employment (otherwise than in consequence of death, disability, redundancy, retirement or the company or business in which he or she is employed being sold outside the Group) or withdraws his or her Partnership Shares within a period not exceeding three years, his or her Matching Shares will then be forfeited.

Free Shares

If the Directors so determine, the SIP Trustee may, each year, invite eligible employees to accept an appropriation of shares in the Company with a market value of up to (currently) £3,600 per employee ("Free Shares"). Such Free Shares must be appropriated among participating eligible employees on a "similar terms" basis except that, subject to the relevant provisions, the whole or a proportion of such Free Shares may be appropriated by reference to performance determined according to such objective criteria and over such period as the Directors may specify. Participants must agree to allow their Free (and Matching) Shares to remain with the SIP Trustee throughout a holding period specified by the Directors of between three and five years. The Directors may stipulate that, if a participant leaves the Group (otherwise than as mentioned above) within three years after they were appropriated to him or her, his or her Free Shares will then be forfeited.

Sourcing of shares

Free and Matching Shares will be purchased in the market or, subject to the limits described below, subscribed for by the SIP Trustee using funds contributed by the respective employer companies within the Group.

Reinvestment of dividends on SIP Shares

The Directors may determine that dividends on shares held in the SIP on behalf of participants may be reinvested in acquiring additional shares in the Company to be held in the SIP. Dividends reinvested will be exempt from income tax.

Tax benefits for participants

Under current tax rules, salary applied in the acquisition of Partnership Shares is free of tax and National Insurance contributions ("NICs"). Free and Matching Shares will be acquired free of income tax and NICs. For so long as shares are held in the SIP, any gain in their value is exempt from capital gains tax. Participants may be charged income tax and NICs if shares are withdrawn from the SIP within five years. Participating companies will generally be entitled to relief from corporation tax for expenses incurred in funding the acquisition of Free and Matching Shares for the purposes of the SIP and for the costs of establishing and administering the SIP.

Rights of participants

Participants will beneficially own shares held in the SIP by the SIP Trustee on their behalf. Except as mentioned above, all dividends and other distributions received in respect of such shares will be passed on to the participants.

The SIP Trustee will exercise voting rights in respect of such shares only in accordance with directions in writing given by the participants. In the event of a takeover or a rights or capitalisation issue or other variation of the Company's share capital, participants may instruct the SIP Trustee how to act or vote on their behalf.

Overall limit on the issue of new shares

The Company may issue shares for the purposes of making awards under the SIP. However, the number of shares which may be issued, or in respect of which rights to subscribe for new shares may be granted, on any day under or for the purposes of the SIP, when added to the number of shares which have been issued or remain issuable under rights to subscribe for shares granted under or for the purposes of any other executive or employees' share scheme established by the Company, in the period of ten years ending on that day, shall not exceed 10% of the issued ordinary share capital of the Company.

Amendment of the SIP

The Directors may amend the SIP, but the provisions relating to the eligibility of participants, limitations on the number of shares issued for the purposes of the SIP, individual participation limits, the basis for determining a participant's entitlement, the rights attaching to shares and the adjustment thereof if there is a capitalisation, rights issue, open offer, sub-division or consolidation of shares or reduction of capital or any variation of capital, cannot be altered to the advantage of participants without the prior approval of shareholders in a general meeting except for minor amendments to benefit the administration of the SIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the SIP or for any member of the Group.

This summary does not form part of the rules of the SIP and should not be taken as affecting the interpretation of their detailed terms and conditions.

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FINANCIAL CALENDAR

AGM	22 May 2025
Payment of final dividend	2 June 2025 to shareholders on the register at the close of business on 2 May 2025
Payment of interim dividend	October 2025
Announcement of 2025 results	March 2026

Website
The Company has a website (www.zotefoams.com) which provides information on the business and products.

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Registrars
Enquiries concerning the holding of ordinary shares in the Company should be addressed to the registrars who should also be notified of any changes in a holder's address.

The registrars are: Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE.

Telephone: 0370 707 1424

www.investorcentre.co.uk/contactus

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