**Zotefoams plc**

**Preliminary Results (unaudited) for the Year Ended 31 December 2024**

**18 March 2025 – Zotefoams plc ("Zotefoams" or "the Company" or "the Group"), a world leader in supercritical foams, today announces its unaudited preliminary results for the year ended 31 December 2024.**

**"Record revenue and profitability form a firm foundation for our next growth phase"**

**Financial Headlines**

| | Group | | |
|---|---|---|---|
| | **2024** | **2023** | **Change** |
| Revenue (£m) | 147.8 | 127.0 | 16% |
| Gross profit (£m) | 46.1 | 41.1 | 12% |
| Operating profit[1] before exceptional items (£m) | 18.1 | 15.1 | 20% |
| Exceptional items | (15.2) | - | - |
| Operating profit[1,4] after exceptional items (£m) | 3.0 | 15.1 | (80)% |
| Profit before tax[1] before exceptional items (£m) | 15.3 | 12.8 | 19% |
| Profit before tax[1,4] after exceptional items (£m) | 0.2 | 12.8 | (99)% |
| Cash generated from operations (£m) | 30.4 | 12.1 | 151% |
| Net debt (£m) | 33.0 | 31.6 | (4)% |
| Net debt ex IFRS16 (£m) | 24.1 | 30.2 | 20% |
| Leverage ratio[2] | 0.9 | 1.2 | - |
| Final dividend[3] (p) | 5.10 | 4.90 | 4% |

[1] This is a reported number under UK adopted IAS and is after the deduction of amortisation of acquired intangibles amounting to £0.250m in 2024 and £0.257m in 2023
[2] Leverage is that defined under the bank facility, with net debt at the end of the period divided by the preceding 12 months' EBITDA, adjusted for the impact of IFRS2 and IFRS16
[3] Final dividend is subject to approval at the May 2025 Annual General Meeting
[4] After rounding

**Results Headlines**

Record Group revenue of £147.8m, 16% higher than the prior year

- High-performance product sales surpass those of Polyolefin Foams for the first time, reflecting the Group's focus on mix enrichment
- Record operating profit before exceptional items up 20% to £18.1m
  - Includes £4.9m of non-recurring operating cost in the now paused ReZorce project
- Basic EPS before exceptional items up 37% to 25.95p
- Non-recurring exceptional costs of £15.2m reflect the impairment of MEL and associated closure costs
- Strong cash generation reinvested in growth opportunities
  - Cash generated from operations up 151% to £30.4m
- Strong balance sheet foundation for refreshed strategy
  - Net debt excluding leases down 20% to £24.1m
  - Leverage ratio down to 0.9x from 1.2x
  - Final dividend up 4% to 5.10p

**Strategic Progress**

- The Group is today launching its new "Expanding Beyond the Core" strategy aimed at driving long term sustainable growth and shareholder value creation
- 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%

- Medium-term 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
- Initial enabling investments for this transformation are underway:
  - Access to new processing technology via a licensing agreement signed in May 24 extends technical capabilities and know-how
  - Capital project in USA to increase local expansion capacity running to budget and on target for commissioning in early H2 2025
  - As announced on 10 March 2025, significant new production and innovation facilities being established in Asia to support the long-term growth of the Group's Consumer & Lifestyle business

**Ronan Cox, Group CEO, said:**

"We have made a positive start overall to 2025, with our Consumer & Lifestyle and Transport & Smart Technology verticals performing well across all regions. Demand in our Construction & Other Industries 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 underway, we are excited by the potential for the Group to deliver both on its medium-term targets and longer-term ambition."

**Enquiries:**

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**About Zotefoams plc**

Zotefoams plc (LSE – ZTF) is a world leader in cellular materials technology delivering optimal material solutions for the benefit of society. Utilising a variety of unique manufacturing processes, including environmentally friendly nitrogen expansion for lightweight AZOTE® polyolefin and ZOTEK® high-performance foams, Zotefoams sells to diverse markets worldwide. Zotefoams uses its own cellular materials to manufacture T-FIT® advanced insulation for demanding industrial markets. Zotefoams also owns and licenses patented microcellular foam technology to reduce plastic use in extrusion applications and for ReZorce® mono-material recyclable barrier packaging.

Zotefoams is headquartered in Croydon, UK, with additional manufacturing sites in Kentucky, USA and Brzeg, Poland (foam manufacture), Oklahoma, USA (foam products manufacture and conversion), Massachusetts, USA, Stilling, Denmark (microcellular foam technology) and Jiangsu Province, China (T-FIT).

www.zotefoams.com

**Chair’s statement**

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

**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.

**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. 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.

**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

18 March 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. As a result of this, 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

### Overview

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 5 years transitioned into a development project focused on ReZorce®, 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.

| **2024** | **United Kingdom** | **Continental Europe** | **North America** | **Rest of the world*** | **Total** |
|---|---|---|---|---|---|
| **Change %** | **7%** | **(6%)** | **6%** | **37%** | **16%** |
| **Group revenue (£000's)** | **12,740** | **30,475** | **28,696** | **75,880** | **147,791** |
| **% of Group revenue** | **9%** | **21%** | **19%** | **51%** | **100%** |
| 2023 | | | | | |
| Group revenue (£000's) | 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).

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 upon 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 comprised of 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 cross-linked 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.

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 and Lifestyle** - encompassing our footwear business alongside other applications in sports, leisure and personal care
- **Transport and Smart Technologies** - includes our aviation, automotive and medical applications
- **Construction and 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, whilst 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 and 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 and 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 High-Performance Product business unit (ZOTEK and T-FIT brands) exceeded that in our Polyolefin Foams business (AZOTE). We made good progress preparing to install our second low-pressure autoclave in the USA, which will provide additional expansion capacity and supplement an aging 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 whilst 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 whilst 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 forms 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.

## 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%
2023: £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 benefitted 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 whilst 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). Whilst 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, whilst 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. Whilst 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% whilst higher-margin segments such as medical and military experienced declines. The medical segment faced temporary challenges due to inventory adjustments at key customers, whilst 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, 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, whilst 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 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.

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, 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 these preliminary results.

**Current Trading and Outlook**

We have made a positive start overall to 2025, with our Consumer & Lifestyle and Transport & Smart Technology verticals performing well across all regions. Demand in our Construction & Other Industries 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 underway, we are excited by the potential for the Group to deliver both on its medium-term targets and longer-term ambition.

Ronan Cox
Group CEO

18th March 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

### 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 Foams 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 below 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

| | | | | 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 & 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) | | | | |
| 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 foam 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 mono-material barrier packaging initiative.

Revenue by segment (£m)

| | 2024 Reported | 2024 Adjusted[1] | 2023 Reported | Net change %[3] Reported | 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 and leisure | **48** | 39 |
| Product protection | **18** | 22 |
| Building and 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.

**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**

***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) |

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 license 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 co-operation, 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 items 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%.

**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 items | **(4.9)** | **(5.1)** | (4.4) | **(13)** | **(16)** |
| **Subtotal business units before exceptional items** | **22.0[2]** | **23.9[2]** | 18.5[2] | **19** | **28** |
| Exceptional items – MEL | **(15.2)** | **(15.2)** | - | **-** | **-** |
| **Subtotal business units after exceptional items** | **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 items** | **15.3** | **16.3[2]** | 12.8 | **19** | **27** |
| **Group PBT after exceptional items** | **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

**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 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 operations 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 would 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 foam 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) |

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; and

> pensioner members: in receipt of pension.

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.

## 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

**Going concern**
The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and predictions, taking account of reasonably possible changes in trading performance and 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 upon the Group's success in reacting to the challenges of COVID-19 through its safety protocols and cost and cash management, all of which could be replicated in a similar scenario.

After due consideration of the range and likelihood of potential outcomes, the Directors continue to adopt the going concern basis of accounting in preparing these preliminary results.

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

**G C McGrath**
Group CFO

18 March 2025

**Consolidated income statement**

**For the year ended 31 December 2024**

| | Note | **2024** | 2023 |
|---|---|---|---|
| | | **£'000** | £'000 |
| **Revenue** | **2** | **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 | **3** | **(15,178)** | - |
| **Operating profit** | | **2,952** | 15,135 |
| **Operating profit before exceptional items** | | **18,130** | 15,135 |
| Finance costs | | **(3,147)** | (2,540) |
| Finance income | | **274** | 191 |
| Share of profit from joint venture | | **74** | 54 |
| **Profit before income tax** | | **153** | 12,840 |
| **Profit before income tax and exceptional items** | | **15,331** | 12,840 |
| Income tax expense | | **(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)** | **7** | **(5.66)** | 19.00 |
| **Diluted (p) *** | **7** | **(5.66)** | 18.55 |
| **Earnings per Share excluding exceptional closure costs ** ** | | | |
| **Basic (p)** | **7** | **25.95** | 19.00 |
| **Diluted (p)** | **7** | **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

**Consolidated statement of comprehensive income**

**For the year ended 31 December 2024**

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'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 schemes | **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 |

## Consolidated statement of financial position
## As at 31 December 2024

| | Notes | 2024<br>£'000 | 2023<br>£'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | **4** | **92,088** | 91,743 |
| Right-of-use assets | | **2,153** | 1,272 |
| Intangible assets | | **438** | 9,418 |
| Intangible Right-of-use assets | | **7,233** | - |
| Investment in joint venture | | **281** | 207 |
| Trade and other receivables | | **14** | 70 |
| Deferred tax assets | | **548** | 435 |
| **Total non-current assets** | | **102,755** | 103,145 |
| **Current assets** | | | |
| Inventories | | **29,924** | 31,904 |
| Trade and other receivables | | **31,494** | 33,002 |
| Derivative financial instruments | | **42** | 1,264 |
| Cash and cash equivalents | | **10,534** | 6,294 |
| **Total current assets** | | **71,994** | 72,464 |
| **Total assets** | | **174,749** | 175,609 |
| **Current liabilities** | | | |
| Trade and other payables | | **(11,878)** | (12,953) |
| Provisions | | **(1,381)** | - |
| Derivative financial instruments | | **(1,164)** | (28) |
| Current tax liability | | **(757)** | (1,078) |
| Lease liabilities | | **(2,134)** | (507) |
| Interest-bearing loans and borrowings | **5/8** | **(34,602)** | (36,527) |
| **Total current liabilities** | | **(51,916)** | (51,093) |
| **Non-current liabilities** | | | |
| Lease liabilities | | **(6,821)** | (827) |
| Deferred tax liabilities | | **(5,103)** | (5,270) |
| Post-employment benefits | | **(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 | **6** | **2,442** | 2,442 |
| Share premium | **6** | **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 |

## 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 | | **8,983** | 8,217 |
| Loss on disposal of assets | | **28** | 4 |
| Finance costs | | **2,873** | 2,349 |
| Share of profit from joint venture | | **(74)** | (54) |
| Net exchange differences | | **524** | (641) |
| Equity-settled share-based payments | | **1,077** | 1,335 |
| Non-cash cost of closure of business | **3** | **15,178** | - |
| Taxation | | **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 | | **(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 | | **274** | 191 |
| Purchases of intangibles | | **(3,306)** | (2,739) |
| Purchases of property, plant and equipment | | **(10,342)** | (5,744) |
| Proceeds from disposal of property, plant and equipment | | **39** | - |
| **Net cash used in investing activities** | | **(13,335)** | (8,292) |
| **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 |
| Payment of principal portion of lease liabilities | | **(2,335)** | (753) |
| Dividends paid to equity holders of the Company | | **(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** | | **10,534** | 6,294 |

## Consolidated statement of changes in equity

## For the year ended 31 December 2024

| | Share capital | Share premium | Own share s held | Capital redemption reserve | Translation reserve | Hedging reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| | £`000 | £`000 | £`000 | £`000 | £`000 | £`000 | £`000 | £`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 | - | - | - | - | - | - | (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 | - | - | - | - | - | - | (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 | **-** | **-** | **-** | **-** | **-** | **-** | **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 | **-** | **-** | **-** | **-** | **-** | **-** | **(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** |

## 1. General overview and accounting policies

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 preliminary results (unaudited) (referred to as the 'preliminary results') include the results of the Company and its subsidiaries (together referred to as the 'Group'). The preliminary results of the Group have been prepared on the basis of the accounting policies set out in the statutory financial statements for the year ended 31 December 2023. Whilst the financial information included in this announcement has been computed in accordance with the recognition and measurement requirements of UK adopted international accounting standards ("UK adopted IAS") and as applied in accordance with the provisions of the Companies Act 2006, this announcement does not itself contain sufficient disclosures to comply with UK adopted IAS.

The information for the year ended 31 December 2024 does not constitute statutory accounts for the purposes of section 435 of the Companies Act 2006. A copy of the accounts for the year ended 31 December 2023 was delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 498(2) or 498(3) of the Companies Act 2006. The audit of the statutory accounts for the year ended 31 December 2024 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the Directors in these 'preliminary results' and will be delivered to the Registrar of Companies following the Company's annual general meeting.

The preliminary results are prepared on the historical cost basis except for derivative financial instruments which are stated at their fair value. The same accounting policies, presentation, methods of computation, judgement and estimate bases are followed in the 'preliminary results' as were applied in the Group's 2023 annual audited financial statements.

## 2. 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 impairment of the associated assets and closure costs (see note 3).

| | Polyolefin Foams | | HPP | | MEL | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| | **£'000** | £'000 | **£'000** | £'000 | **£'000** | £'000 | **£'000** | £'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) |
| 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 |

## 2.Segmental reporting (continued)

**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 | Continental Europe | North America | Rest of the world | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'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 | **50,556** | **18,498** | **33,176** | **525** | **102,755** |
| 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 |

## 3. Exceptional items

**Closure of MEL business**

On 18th December 2024 the Group decided 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 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 its MuCell business unit (MEL), began on that date. This includes both MEL 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.

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 was capitalised in the year. This 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 charge of £15,178k in the income statement forming part of operating profit.

The income statement for the discontinued MEL business was as follows:

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'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] | **(1,442)** | (1,068) |
| **Loss before income tax** | **(21,554)** | (5,489) |
| Income tax expense | **(35)** | - |
| **Loss for the year** | **(21,589)** | (5,489) |

[1] 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.

## 4. Property, plant and equipment

### Group

| | Land and buildings | Plant and equipment | Fixtures and fittings | Under construction | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost** | | | | | |
| Balance at 01 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** | | | | | |
| Balance at 01 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** |

## 5. Interest-bearing loans and borrowings

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | **2024** | 2023 | **2024** | 2023 |
| | | **£'000** | £'000 | **£'000** | £'000 |
| Current bank borrowings | 8 | **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 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%).

## 6. Issued share capital

Issued, allotted and fully paid ordinary shares of 5p each:

| | Number of shares | Par value | Share premium | Total |
|---|---|---|---|---|
| | | £'000 | £'000 | £'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.

## 7. Dividends and earnings per share

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'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). 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 |

## 8. Financial instruments and financial risk management

**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.

| | **As at 31 December 2024** | As at 31 December 2023 |
|---|---|---|
| | **£'000** | £'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 5, 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, which is gross interest of £274k less interest income from customers of £136k.

EBITDA comprises:

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Loss/profit for the year | **(2,755)** | 9,242 |
| Depreciation and amortisation | **8,983** | 8,217 |
| Finance costs | **2,873** | 2,349 |
| Share of profit from joint venture | **(74)** | (54) |
| Equity-settled share-based payments | **1,077** | 1,335 |
| Taxation | **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.

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 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.