

## Zotefoams plc

### 2017 Annual Report and Notice of the 2018 Annual General Meeting

In compliance with Listing Rule 9.6.1, the following documents have been submitted to the National Storage Mechanism and will shortly be available for inspection at:

<http://www.morningstar.co.uk/uk/NSM>

- 1 Annual Report for the year ended 31 December 2017, incorporating the Notice of the 2018 Annual General Meeting; and
- 2 Form of Proxy for the 2018 Annual General Meeting.

Copies of the 2017 Annual Report and the Notice of the 2018 Annual General Meeting are available on our website at:

<http://www.zotefoams.com/investors/annual-interim-reports/>

<http://www.zotefoams.com/investors/aggm/>

A condensed set of the financial statements, the Chairman's statement and Strategic report in respect of the Annual Report were included in the unaudited preliminary results announcement issued on 13 March 2018, which may be found at:

<http://www.zotefoams.com/wp-content/uploads/2018/03/Zotefoams-Preliminary-Results-31.12.17-Final.pdf>

This announcement contains, in Annex A, additional information for the purposes of compliance with the Disclosure and Transparency Rules, including the statement of Directors' responsibilities in respect of the Annual Report, principal risks and uncertainties and details of related party transactions. This information is extracted from the 2017 Annual Report in full unedited text. This announcement is not a substitute for reading the full Annual Report. Page and note references in the text below refer to page numbers and notes in the 2017 Annual Report.

#### Enquiries:

James Kindell  
Company Secretary  
Zotefoams plc 020 8664 1600

12 April 2018

#### About Zotefoams plc:

Zotefoams plc (LSE – ZTF) is a world leader in cellular materials technology. Using a unique manufacturing process with environmentally friendly nitrogen expansion, Zotefoams produces and sells lightweight AZOTE® polyolefin and ZOTEK® high-performance foams for diverse markets worldwide. Zotefoams uses its own cellular materials to manufacture T-FIT® advanced insulation for demanding industrial markets. In addition, Zotefoams owns and licenses patented MuCell® microcellular foam technology, developed specifically for extrusion applications, from a base in Massachusetts, USA to customers worldwide.

Zotefoams is headquartered in Croydon, UK, with additional manufacturing sites in Kentucky and Oklahoma, USA (foam products manufacture and conversion), Massachusetts, USA (MuCell Extrusion) and Jiangsu Province, China (T-FIT®).

[www.zotefoams.com](http://www.zotefoams.com)

AZOTE®, ZOTEK®, T-FIT® are registered trademarks of Zotefoams plc  
MuCell® is a registered trademark of Trexel Inc.

## Annex A

### Statement of Directors' responsibilities in respect of the Annual Report

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 36 to 37 of the Annual Report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

G C McGrath Group CFO 6 April 2018

## Principal risks and uncertainties

We have identified 12 principal risks and uncertainties under nine key headings: operational, people, technology, supply chain, global market environment, financing, foreign exchange, commercial and pension. A principal risk is one that has the potential to affect significantly our strategic objectives, financial position or future performance. It includes both internal and external factors. Zotefoams monitors movements in likelihood and impact such that risks are appropriately mitigated, to the extent possible, in line with the Group's risk appetite.

The risk profile in 2017 includes three added and one removed risk. With the Group's investment in HP1 and infrastructure at its Kentucky, USA plant now complete and commercial product in the market, the level of this risk has been assessed to fall below the tier one materiality level for reporting and has therefore been removed. While the initial investment in Kentucky has increased capacity, the need to add further capacity at the right time and in the right place has been defined as a new risk, one which is becoming increasingly significant as Zotefoams pursues its growth expectations and one reflected by the commencement of investments in low-pressure capacity in Croydon, UK, and in the commissioning of the second high-pressure autoclave (HP2) in Kentucky, USA. The Group has benefited greatly from the experiences of its recent US capital investment programme, and improved capacity planning processes tied with increasing optimism in HPP growth rates have raised the risk profile of capacity as a result. The second risk added, also related to its pursuit of growth, is the impact on span of control as the Group further expands operations overseas. Ensuring it has effective systems, communication methods, recruiting and training will be important mitigating factors. Finally, the risk of cyber attacks has been added, with high-profile examples during the year elevating the Group's assessment of this risk and the importance of remaining vigilant and constantly considering the strength of its protective measures.

### Key to Links to the Strategy:

- 1      Grow: sales in the Polyolefin business
- 2      Develop: a HPP portfolio and MEL customer base to deliver enhanced margins
- 3      Increase: operating margins pre exceptional items
- 4      Improve: return on capital employed

Risk	Mitigation actions
<p><b>Operational: Single site dependence</b>  <b>Strategy 1. 2. 3. 4.</b>                      Risk trend: →</p> <p>As the majority of the Group's operations are on one site, a significant operational disruption or Safety, Health and Environmental ('SHE') incident could impact the Group's ability to manufacture and supply products. This could have sizeable financial and commercial consequences including, in certain defined circumstances, customer claims. It could also lead to reputational damage.</p>	<p>The Group has extensive SHE policies and procedures in place, which are in line with best practice. In the UK the Company is certified to accredited standards OHSAS 18001 on Health and Safety and ISO 14001, the International Standard for Environment Management Systems. Regular training is provided on SHE matters to the staff.</p> <p>Pressure equipment used is operated under the Pressure Systems Safety Regulations 2000 and is subject to systematic internal, and frequent external, inspections in accordance with the Safety Assessment Federation.</p> <p>The Group has extensive fire prevention systems in place.</p> <p>The Group has appropriate contingency plans in place in the event of the failure of certain major pieces of equipment.</p> <p>Reporting of incidents, including 'near misses' and damage to plant or equipment</p>

	<p>not resulting in personal injury, is mandatory in order to track issues and to prevent reoccurrences.</p> <p>Insurance is in place to cover capital restatement and loss of profits in the event of operational disruption caused by certain events.</p> <p>The Group has invested in its Kentucky, USA site, which provides multi-site capability, subject to capacity, on many polyolefin products. With experience, it will also become possible to manufacture some of the more challenging higher performance foams.</p> <p>Controls:</p> <ul style="list-style-type: none"> <li>• Regular internal and external audits and inspections are undertaken on the Group's operations, policies and procedures.</li> <li>• Reports are made to the Board, on a quarterly basis, on SHE issues.</li> <li>• The Group has various committees in place that monitor and review the risks.</li> </ul> <p>Control Committees:</p> <ul style="list-style-type: none"> <li>• Executive Committee</li> <li>• Planning and Capacity Committee</li> <li>• Occupational Health and Safety Steering Committee</li> <li>• Environment Steering Committee</li> <li>• North American Safety and Environment Committee</li> </ul>
<p><b>Operational: Execution</b>  Link to strategy: 1, 3, 4  Risk trend: ↑</p> <p>The business's unique technology is highly capital intensive, with long lead times and complex equipment and engineering requirements. As customer demand grows, the ability to grow capacity requires effective and timely planning, sufficient resource and financing, and excellent execution.</p>	<p>The experiences gained through the recent investment in the Kentucky, USA site have provided a significant increase in know-how, spread across more personnel, which reduces uncertainty of future execution.</p> <p>Expected growth in HPP products is driving accelerated investment decisions.</p> <p>Controls:</p> <ul style="list-style-type: none"> <li>• The Group holds regular capacity planning reviews at Board and operational level.</li> <li>• The Board meets bi-annually to review its three-year plan, moving to a five-year plan in 2018, and consider capacity needs in light of medium-term growth expectations.</li> </ul> <p>Control Committees:</p> <ul style="list-style-type: none"> <li>• Board and Executive Committee</li> <li>• Planning and Capacity Committee</li> <li>• Capital Committee</li> </ul>

<p><b>Technology</b>  <b>Strategy 1. 2. 3. 4.</b>  Risk trend: →</p> <p>The Group's processes for the manufacture of its products are substantially unique to the Group. Whilst the principles behind the processes are not confidential, the precise know-how is. A competitor could match or improve upon the properties and economics of the Group's products.</p> <p>Key to the success of the business of MuCell Extrusion LLC ('MEL') is the strength of its intellectual property and, on the back of that, its ability to grant commercial licences. The risks to MEL are that its intellectual property becomes dated or its patents expire or are successfully challenged.</p>	<p>There are high barriers of entry to the manufacturing of the Group's foams. Significant capital investment and know-how would be required to invest in autoclaves and related infrastructure.</p> <p>The Group actively maintains its intellectual property. It patents its technology wherever it believes it is appropriate to do so. Where technology is not subject to patent, patents are no longer applicable or the technology is incapable of being patented, the Group guards its know-how.</p> <p>The Group reduces its technology risk by entering into new markets. For example, the development of High Performance Products ('HPP') and MEL, where the product offerings are unique and protected by patents and/or process know-how and capability, opens up new markets for the Group with potential significant and lasting differential advantages.</p> <p>MEL actively maintains and updates its intellectual property portfolio. This is done by undertaking research and development to add new patents to the portfolio, further developing its know-how and obtaining licences of key third-party patents, which are complementary to the existing portfolio.</p> <p>A MEL licence typically includes a bundle of patents and know-how and, therefore, is not completely dependent on any particular patent.</p> <p>Controls:</p> <ul style="list-style-type: none"> <li>• The Group keeps a watching brief on competitor activity and maintains close contact with its customers and end-users of its products to understand market activity.</li> <li>• All MEL's licences are reviewed by senior personnel to ensure terms are appropriate. The intellectual property portfolio is managed by MEL's Executive Committee.</li> </ul> <p>Control Committees:</p> <ul style="list-style-type: none"> <li>• Executive Committee</li> <li>• Marketing Committee</li> <li>• Product Development Committee</li> <li>• North America Review</li> <li>• MEL Executive Committee</li> <li>• MEL Contract Review Committee</li> </ul>
<p><b>People</b>  <b>Strategy 1. 2. 3.</b></p>	<p>The Group continuously reviews its skill needs and labour requirements. The Group</p>

<p>Risk trend: ↑</p> <p>The failure to attract, develop or retain the right calibre of staff will impact the Group's ability to deliver growing opportunities by product and geographic reach.</p> <p>The impact of Brexit might impact the Group's ability to retain mainland EU nationals.</p>	<p>aims to provide its employees with varied and interesting work and to incentivise them appropriately.</p> <p>The Group has a Global Talent Manager, whose remit is to ensure senior and emerging talent is appropriate for the Group's current and future needs.</p> <p>The Group is following the developments of the UK's EU exit negotiations closely and addressing its consequences on people. In the meantime, such action has already included providing mainland EU employees with residency advice and support.</p> <p>Controls:</p> <ul style="list-style-type: none"> <li>• Ongoing discussions at the Board and Executive Committee meetings.</li> </ul> <p>Control Committees:</p> <ul style="list-style-type: none"> <li>• Board</li> <li>• Audit Committee (in relation to Finance)</li> <li>• Executive Committee</li> <li>• HR Steering Committee</li> <li>• Nominations Committee (in relation to the Board and Executive Committee)</li> </ul>
<p><b>Operational: Span of Control Strategy 1. 2. 3.</b></p> <p>Risk trend: ↑</p> <p>Until recently most of Zotefoams' revenue was shipped from the UK. Following its investments in the USA and Asia, the Group now employs more people, holds more assets and generates a higher proportion of revenues outside the UK. While scaling up operations internationally, it becomes increasingly important to manage the span of control risk through embedding effective systems across the Group and maintaining an effective financial control and corporate governance environment, while delivering on the Group's strategic objectives.</p>	<p>The Board and Executive Committee continually review the Group's corporate culture, its communication and embedding of controls across the organisation.</p> <p>Key leaders travel frequently to overseas locations to ensure the right people are in the right roles and behaviours are aligned with those at the corporate centre.</p> <p>The Group has been investing significantly in human resource over the past three years as it builds global functions and hires leaders with international and cross-cultural experience.</p> <p>The Group has upgraded IT systems to standardise information and improve communication and visibility.</p> <p>Controls:</p> <ul style="list-style-type: none"> <li>• Ongoing discussions at the Board and Executive Committee meetings.</li> </ul> <p>Control Committees:</p> <ul style="list-style-type: none"> <li>• Board</li> <li>• Executive Committee</li> <li>• HR Steering Committee</li> <li>• IT Steering Committee</li> </ul>

<p><b>Supply Chain</b>  <b>Strategy 1. 2. 3. 4.</b>  Risk trend: →</p> <p>Certain of the Group's raw materials and engineering components are sourced from single suppliers. Disruption in those supplies, either on a temporary or more permanent basis, could affect production and supply to the Group's customers and, in certain defined circumstances, have contractual commercial consequences which may result in customer claims.</p>	<p>Wherever possible, supplies are sourced from more than one supplier or location. However, this is not always possible, due to the special nature of the raw materials and machinery used.</p> <p>The Group continually monitors suppliers and is investing significantly in the search for, testing and approval of, alternative suppliers of critical materials.</p> <p>Controls:</p> <ul style="list-style-type: none"> <li>• Key Supplier Review Committee, an internal committee, meets at least twice a year to review the ability of the Group to source its key raw materials and engineering components. A dedicated raw materials manager leads this review.</li> <li>• Audits of key suppliers are carried out.</li> </ul> <p>Control Committees:</p> <ul style="list-style-type: none"> <li>• Executive Committee</li> <li>• Key Supplier Review Committee</li> </ul>
<p><b>Foreign Exchange</b>  <b>Strategy 1. 3. 4.</b>  Risk trend: ↑</p> <p>The Group has significant exposure to foreign exchange fluctuations. This is both transactional and on the translation of foreign currency balances and the consolidation of its foreign subsidiaries.</p> <p>Despite recent investments overseas, the Group's operations are substantially based in the UK and, therefore, most of its manufacturing assets and costs are sterling denominated.</p> <p>The Group's customers are normally invoiced in their local currencies. In 2017, approximately 80% of the Group's revenue was in currencies other than sterling. The Group, therefore, generates surpluses in US dollars and euros, which are converted into sterling.</p>	<p>The Group reduces its foreign exposure for transactional items by making its purchases either in euros or US dollars. For example, there are US dollar costs associated with the Group's operations in Kentucky USA and with MEL. In addition, the majority of the Group's raw materials are purchased in euros.</p> <p>The Group recently completed its significant capital investment in North America, which will reduce exposure for transactional items on the US dollar by increasing the cost base in the USA. Raw materials are now purchased locally and a larger workforce supports full process production.</p> <p>The Group has a hedging policy, which is approved by the Board. The Group hedges a proportion of its exposure for transactional items to foreign exchange by using forward exchange contracts.</p> <p>The Group, like most public companies, does not hedge for the translation of its foreign subsidiaries' assets or liabilities in the consolidation of its Group accounts. It is, however, increasingly focused on hedging its statement of financial position through matching, where possible, its overseas assets with overseas liabilities, such as foreign currency debt financing.</p> <p>Controls:</p> <ul style="list-style-type: none"> <li>• Monthly review by the Foreign Exchange Committee.</li> </ul>

	<ul style="list-style-type: none"> <li>• Hedging policy reviewed by the Board annually.</li> </ul> <p>Control Committees:</p> <ul style="list-style-type: none"> <li>• Executive Committee</li> <li>• Foreign Exchange Committee</li> <li>• North America Executive Committee</li> </ul>
<p><b>Macroeconomics</b>  <b>Strategy 1. 2. 3. 4.</b>  Risk trend: →</p> <p>Our markets are exposed to general economic and political changes, which may impact the Group's performance and ability to meet its strategic objectives.</p> <p>An unfavourable outcome to the Brexit negotiations may impact the Group's ability to import raw materials and export finished foam product in a timely manner. Tariffs may increase input costs and export prices. Labour regulations may affect the Group's ability to attract EU talent.</p>	<p>Some of the Group's markets can be cyclical. However, this risk is spread geographically and across a number of segments, which are expected to diversify further with the growth of HPP and MEL. The Group is operationally geared and its experience is that, in challenging circumstances, operational labour costs can be reduced, polymer prices generally fall with reduced economic demand, giving a cost benefit, and cash can be generated from both reducing working capital as well as slowing capital expenditure projects to help offset the effects of a downturn. The Group targets an appropriate financial structure to give it flexibility in a downturn.</p> <p>The Group will monitor Brexit developments and take appropriate commercial action, which ultimately impacts capital investment decisions, as the political and economic situation becomes clearer.</p> <p>Controls:</p> <ul style="list-style-type: none"> <li>• Monthly review by the Executive Committee. Board review at times of more fundamental changes, such as the Brexit decision.</li> <li>• North America Review.</li> <li>• MEL Review.</li> </ul> <p>Control Committees:</p> <ul style="list-style-type: none"> <li>• Executive Committee</li> <li>• Marketing Committee</li> <li>• North America Executive Committee</li> <li>• MEL Executive Committee</li> </ul>
<p><b>Financing</b>  <b>Strategy 1. 2. 3. 4.</b>  Risk trend: ↑</p> <p>The Group needs to have sufficient cash, or be able to draw on loan facilities or access capital markets, to finance its operations and its increasing growth expectations.</p> <p>The Zotefoams business is growth led and capital intensive. An expectation of growth creates the need for investment in fixed assets and working capital to service this</p>	<p>The Group has strong cash generation from its operations. In Q1 2018 the Group completed HP1, which cost a total of \$33m. It has since announced a £12m investment in low-pressure capacity in Croydon to support HPP growth and a \$9m investment to commission the second high-pressure autoclave (HP2) in the USA. The Group continues to assess additional significant investment opportunities and working capital needs to enable it to meet its increasing growth opportunities. Accelerated growth leads to a shorter investment cycle and the</p>



<p>growth, which increases debt levels ahead of the expected future cash inflows.</p>	<p>need for a more frequent assessment of the Group's financing structure.</p> <p>The Group has debt facilities, at 31 December 2017, amounting to:</p> <ul style="list-style-type: none"> <li>– a 10-year, \$8m fixed rate loan</li> <li>– a five-year £7.5m variable rate loan facility; and</li> <li>– a four-year £10m RCF facility and a £2m overdraft facility.</li> </ul> <p>In March 2018 the Group secured an additional £10m facility with an 18-month term. The loans and RCF facility are secured against certain Group assets and are subject to covenants.</p> <p>When considering investment projects, the Group has regard to its ability to raise finance for the project and will not fully commit to a project until acceptable and appropriate finance is in place, or believed to be available.</p> <p>Controls:</p> <ul style="list-style-type: none"> <li>• The Executive Committee monitors its funding position closely.</li> <li>• Financial plans and projections are regularly reviewed by the Board.</li> </ul> <p>Control Committees:</p> <ul style="list-style-type: none"> <li>• Board</li> <li>• Executive Committee</li> <li>• Capital Planning Committee</li> </ul>
<p><b>Commercial Strategy 1. 2. 3. 4.</b> Risk trend: →</p> <p>Group revenues and profits could be impacted by the loss, insolvency or divergence of interest with a major customer.</p>	<p>The Group's largest customers are converters of foam. The Group has good knowledge of the end customers of its major customers and, with some additional short-term work, would expect to bring or identify additional converter capacity, supply routes or channel partners to service these markets.</p> <p>As the Group successfully converts projects out of its HPP portfolio into commercial opportunities, the customers it sells its ZOTEK® PEBA, F and N foams to will mostly be significantly larger than the average AZOTE® customer. These relationships, with balanced commercial contracts, are by their nature longer term, providing a unique technical solution and competitive advantage to the ZOTEK® foams customers. Continued investment in the portfolio could yield further successes that spread the risk of any single loss, while the T-FIT® insulation business provides further balancing with its more broadly spread customer base.</p>

	<p>The Group will continually review its customer spread and balance, particularly as the HPP business segment takes on more importance.</p> <p>Controls:</p> <ul style="list-style-type: none"> <li>• Review at Sales meetings and by the Marketing Committee.</li> <li>• Review of HPP opportunities and commitments by the Executive Team and, subject to materiality, the Board.</li> </ul> <p>Control Committees:</p> <ul style="list-style-type: none"> <li>• Board</li> <li>• Executive Committee</li> <li>• Marketing Committee</li> </ul>
<p><b>Pension Strategy 4.</b> Risk trend: →</p> <p>The Company has a Defined Benefit Pension Scheme ('Scheme') and any inability of the Scheme to meet its liabilities to its members could, ultimately, be the responsibility of the Company.</p> <p>There have in recent times been a number of legal cases challenging the validity of previously closed defined benefit schemes, but as yet no clear case law.</p>	<p>To minimise the risk to the Company of meeting the obligations under the Scheme, the Company took action to close the Scheme to new members in 2001 and closed it to future accrual of benefits in 2005.</p> <p>The Company obtained legal advice in 2017 which opined that, while the Scheme was effectively closed to future accrual of benefits in 2005, it was not effectively closed to future accrual of salary. The impact of this, estimated to be £1.27m, has been booked as an exceptional item in the financial statements. A process is currently under way to close the scheme to future accrual of salary, while the Company also considers its options for recourse to its advisors at the time.</p> <p>The Company will continuously work together with the Trustees to undertake de-risking activities to the Scheme, where feasible.</p> <p>The last triennial actuarial valuation of the Scheme is as at 5 April 2017 and the outcome of this is still being considered. As a recovery plan for the Scheme for the previous valuation (5 April 2014), the Company agreed to make a contribution to the Scheme of £41,000 per month until April 2020 to reduce the deficit, together with expenses of £10,600 per month.</p> <p>Controls:</p> <ul style="list-style-type: none"> <li>• Triennial actuarial reviews of the Pension Scheme are undertaken and balanced revisions to the funding of any deficit are agreed between the Trustees and the Company.</li> </ul> <p>Control Committees:</p>

	<ul style="list-style-type: none"> <li>The Board has oversight of the Company's liability to the Defined Benefit Pension Scheme.</li> </ul>
<p><b>Operational: Cyber threats</b>  <b>Strategy 1. 2. 3. 4.</b>  Risk trend: ↑</p> <p>2017 was an unprecedented year for global cyberthreats in terms of scale, impact and speed of infection. Increasingly, additional measures are needed to combat and mitigate this growing risk</p>	<p>The IT department stays on top of all developments and regularly reviews the quality and status of its systems in the face of a potential attack. As an example, during 2017 the department:</p> <ul style="list-style-type: none"> <li>– commenced deployment of enhanced malicious code protection to all laptops globally</li> <li>– upgraded servers and desktops that had old operating systems</li> <li>– underwent an independent security audit to highlight any risks</li> </ul> <p>The department also increased the level of communication on cyber-related risks with Group personnel.</p> <p>The Group is committed to certification against the UK Government backed and industry supported Cyber Essentials Plus scheme. This will introduce many new technological solutions, policies and vulnerability management and will be independently audited in order to pass the scheme criteria.</p> <p>Controls:</p> <ul style="list-style-type: none"> <li>• Reviewed quarterly by IT Steering Committee.</li> </ul> <p>Control Committees:</p> <ul style="list-style-type: none"> <li>• IT Steering Committee</li> <li>• Executive Committee</li> <li>• North America Executive Committee</li> </ul>

## **Related party transactions**

### **Directors**

The Directors of the Company as at 31 December 2017 and their immediate relatives control approximately 1.1% (2016: 1.1%) of the voting shares of the Company. Details of Directors' pay and remuneration are given in the Remuneration Report on pages 46 to 56. Executive Directors are considered to be the only key management personnel. Details of compensation paid to key management personnel are included in note 6.

### **Subsidiaries and joint venture**

Details of the subsidiaries and joint venture of the Company are set out in note 13. These companies are considered to be related parties.

Azote Asia Limited is the exclusive distributor of Zotefoams' AZOTE® products in the Far East. Azote Asia Limited works closely with its customers to develop products and find innovative solutions to meet their business needs through an ongoing commitment to quality, sustained value and customer service.

Common control exists between the Company and the Zotefoams Employee Benefit Trust (EBT). The Zotefoams EBT has therefore been consolidated as described in note 2.2.

The following material transactions were carried out with related parties:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Sales of goods: Subsidiaries of the Company	13,405	12,735
Sales of services: Subsidiaries of the Company	410	97
Sales of goods: joint venture of the Company	<u>2,565</u>	<u>2,507</u>
Total	16,380	14,889

Balances between the Company and its active subsidiaries and associates are as follows:

	<b>Receivables/(payable)</b>		<b>Investments in</b>	
	<b>owed by/(to)</b>			
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Zotefoams Inc	5,490	10,000	-	-
KZ Trading and Investment Ltd	1,434	231	-	-
Azote Asia Limited	1,542	2,391	-	-
MuCell Extrusion LLC	(13)	(69)	-	-
Zotefoams International Limited	-	339	23,546	3,460
Zotefoams Operations Limited	187	-	-	-