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Zytronic plc Interim report for the six months to 31 March 2012

Zytronic is the developer and manufacturer of a unique range of internationally award-winning touch sensor products based on patent-protected projected capacitive technology (PCT™).

Zytronic’s products incorporate an embedded array of metallic micro-sensing electrodes which offer significant durability, environmental stability and optical enhancement benefits to designers of system-integrated interactive displays for public access and industrial type applications.

Zytronic operates from a single site outside Newcastle-upon-Tyne in the United Kingdom, comprising three modern factories and environmentally controlled clean room suites, where it manufactures its range of PCT touch assemblies using specialist glass and plastic materials.



Scan the QR code with your smartphone to find out more about Zytronic or alternatively go to www.zytronicplc.com

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Highlights

- > Revenue increased by 17% to £10.6m (2011: £9.1m)
- > Revenue growth predominantly reflects increased touch revenue, up 23% to £7.4m (2011: £6.0m)
- > Touch revenue now represents 70% of Group revenue (2011: 66%)
- > Gross profit margin increased to 36.4% (2011: 32.1%)
- > Profit before tax increased by 68% to £2.1m (2011: £1.3m)
- > Estimated tax rate reduced to 23% from 26%
- > Earnings per share (“EPS”) increased by 73% to 11.1p (2011: 6.4p)
- > Interim dividend increased by 24% to 2.6p per share (2011: 2.1p), incorporating a rebasing of the total dividend for the year

Chairman's statement

These results for the six months ended 31 March 2012 are a very encouraging start to the year, and further demonstration of the increasing acceptance of our Projective Capacitive Technology ("PCT") touch products.

RESULTS

Revenues increased by 17% to £10.6m (2011: £9.1m); operating profit increased by 64% to £2.2m (2011: £1.3m); profit before taxation increased by 68% to £2.1m (2011: £1.3m); and after taxation of 23% (2011: 26%), resulted in profit after taxation of £1.6m (2011: £0.9m); and an increase in earnings per share of 73% to 11.1p (2011: 6.4p).

The strategy of the Group continues to be the development and marketing of PCT products, which now represent 70% of sales, and a diversification away from the original and mature electronic display products.

The growth in revenues in the first half has primarily been from PCT products, with some additional benefit from unscheduled one-off orders for displays for the ATM sector of the business. The Group's PCT products are increasingly being accepted as a market leader for industrial and public access applications where the rugged construction is suitable for high use environments, and we have experienced volume growth in the self-service and vending, ATMs and industrial and home automation sectors. We continue to increase our geographic market penetration and exports account for 92% of PCT product sales with notable increases in the first half to USA, China, Australia and Germany.

At the operating level the considerable improvement in margins is due to the increased volumes, a favourable production mix and also the greater manufacturing flexibility and efficiency provided by the capital investment in the two laminators commissioned in 2011.

PRODUCT DEVELOPMENT

We continue to invest in the development and improvement of our PCT products and have recently recruited additional engineers to enhance our focus on working closely with our customers to improve and increase our PCT products' functionality. In particular we are pleased that we have hit our target of showcasing an early prototype of our new Multi Touch PCT product for the first time at the Society for Information Displays Conference and Exposition in Boston, 4 – 7 June 2012.

FINANCIAL POSITION/CASH GENERATION

The Group has a net positive financial position of £0.9m, with cash and short term deposits of £4.4m, current financial liabilities of £1.9m and non-current financial liabilities of £1.6m.

The Group generated £1.7m from operating activities in the six months ended 31 March 2012; £0.7m was invested in capital expenditure, £0.4m in working capital and, after debt service costs of £0.2m, generated a net £1.1m before the payment of £0.8m in respect of the final dividend for last year.

DIVIDEND

The Directors have declared a dividend of 2.6p per share (2011: 2.1p) payable on Friday 27 July 2012 to shareholders

on the Register on Friday 13 July 2012. This is an increase of 24% and is higher than normal, as it is part of an exercise to rebase the dividend, and should not be viewed as indicative of the level of increase for the year as a whole.

OUTLOOK

We continue to experience a good level of orders and new business and look forward to further improvement and growth in value for shareholders.

Tudor Davies
Chairman
22 May 2012

Consolidated income statement

Unaudited results for the six months to 31 March 2012

	Notes	Six months to 31 March 2012 Unaudited £'000	Six months to 31 March 2011 Unaudited £'000	Year to 30 September 2011 Audited £'000
Group revenue		10,633	9,092	20,488
Cost of sales		6,757	6,172	13,574
Gross profit		3,876	2,920	6,914
Distribution costs		135	119	239
Administration expenses		1,669	1,574	3,194
Group trading profit		2,072	1,227	3,481
Other operating income		93	93	187
Group operating profit from continuing operations		2,165	1,320	3,668
Finance costs		(54)	(55)	(112)
Finance revenue		8	—	1
Profit from continuing operations		2,119	1,265	3,557
Tax expense	3	(487)	(329)	(865)
Profit for the period from continuing operations		1,632	936	2,692
Earnings per share				
Basic	4	11.1p	6.4p	18.3p
Diluted	4	10.9p	6.3p	18.1p

Consolidated statement of comprehensive income

Unaudited results for the six months to 31 March 2012

There are no recognised gains or losses other than the profit attributable to shareholders of the Company as presented in the consolidated income statement above.

Consolidated statement of changes in equity

Unaudited results for the six months to 31 March 2012

	Called up share capital* £'000	Share premium** £'000	Retained earnings £'000	Total £'000
At 30 September 2011	147	6,588	6,372	13,107
Profit for the period	—	—	1,632	1,632
Exercise of share options	2	231	—	233
Share-based payments	—	—	22	22
Dividends	—	—	(830)	(830)
At 30 March 2012 (unaudited)	149	6,819	7,196	14,164

* Share capital represents proceeds on issue of the Company's equity share capital.

** Share premium comprises the excess in proceeds on issue of the Company's equity share capital above the nominal value of the shares issued.

Consolidated balance sheet

Unaudited results at 31 March 2012

	At 31 March 2012 Unaudited £'000	At 31 March 2011 Unaudited £'000	At 30 September 2011 Audited £'000
Assets			
Non-current assets			
Intangible assets	1,669	1,839	1,811
Property, plant and equipment	8,365	8,429	8,113
Trade and other receivables	296	198	296
	10,330	10,466	10,220
Current assets			
Inventories	3,470	2,654	2,754
Trade and other receivables	3,588	3,831	4,021
Cash and short term deposits	4,449	2,070	4,513
	11,507	8,555	11,288
Total assets	21,837	19,021	21,508
Equity and liabilities			
Current liabilities			
Trade and other payables	1,748	1,544	1,778
Financial liabilities	1,970	1,616	2,266
Accruals	980	743	1,118
Taxation liabilities	508	351	502
Government grants	193	192	192
	5,399	4,446	5,856
Non-current liabilities			
Financial liabilities	1,548	1,881	1,722
Deferred tax liabilities (net)	726	827	726
Government grants	—	193	97
	2,274	2,901	2,545
Total liabilities	7,673	7,347	8,401
Net assets	14,164	11,674	13,107
Capital and reserves			
Equity share capital	149	147	147
Share premium	6,819	6,795	6,588
Revenue reserve	7,196	4,732	6,372
Total equity	14,164	11,674	13,107

Consolidated cashflow statement

Unaudited results for the six months to 31 March 2012

Notes	Six months to 31 March 2012 Unaudited £'000	Six months to 31 March 2011 Unaudited £'000	Year to 30 September 2011 Audited £'000
Operating activities			
	2,119	1,265	3,557
Profit from continuing operations			
Net finance costs	46	55	111
Depreciation and impairment of property, plant and equipment	345	358	802
Amortisation and impairment of intangible assets	199	140	355
Amortisation of government grant	(96)	(96)	(192)
Share-based payments	22	21	(38)
Working capital adjustments			
Increase in inventories	(716)	(66)	(166)
Decrease/(increase) in trade and other receivables	443	(366)	(647)
(Decrease)/increase in trade and other payables	(152)	101	697
Cash generated from operations	2,210	1,412	4,479
Taxation paid	(492)	(335)	(821)
Net cashflow from operating activities	1,718	1,077	3,658
Investing activities			
Interest received	8	—	1
Proceeds from disposals of property, plant and equipment	11	—	11
Purchases of property, plant and equipment	(630)	(393)	(525)
Payments to acquire intangible assets	(58)	(110)	(297)
Net cashflow from investing activities	(669)	(503)	(810)
Financing activities			
Interest paid	(46)	(58)	(110)
Dividends paid to equity shareholders of the parent	(830)	(735)	(1,044)
Proceeds from share issue re. options	233	—	38
Repayment of borrowings	(176)	(169)	(323)
Repayment of capital element of hire purchase contracts	—	(44)	(45)
Net cash outflow from financing activities	(819)	(1,006)	(1,484)
Increase/(decrease) in cash and cash equivalents	230	(432)	1,364
Cash and cash equivalents at the beginning of the period	2,578	1,214	1,214
Cash and cash equivalents at the period end	2,808	782	2,578

Notes to the interim report

Unaudited results for the six months to 31 March 2012

1. Basis of preparation

The financial information in these interim statements is prepared under the historical cost convention and in accordance with international accounting standards. It does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006 and does not reflect all the information contained in the Group's annual report and financial statements.

The taxation charge is calculated by applying the Directors' best estimate of the annual tax rate to the profit for the period. Other expenses are accrued in accordance with the same principles used in the preparation of the annual accounts.

The interim results for the six months to 31 March 2012 are not reviewed by Ernst & Young LLP and accordingly no opinion has been given.

The interim financial statements have been prepared using the same accounting policies and methods of computation used to prepare the 2011 annual report and financial statements.

The financial information for the six months to 31 March 2012 and the comparative financial information for the six months to 31 March 2011 have not been audited. The comparative financial information for the year ended 30 September 2011 has been extracted from the 2011 annual report and financial statements.

The annual financial statements for the year ended 30 September 2011, which were approved by the Board of Directors on 14 December 2011, received an unqualified audit report, did not contain a statement under Section 498(2) or (3) of the Companies Act 2006 and have been filed with the Registrar of Companies.

The Group has one reportable business segment comprising the development and manufacture of customised optical filters to enhance electronic display performance. Products in this reportable business segment include touch sensors, filters and other laminated products. All revenue, profits or losses before tax and net assets are attributable to this reportable business segment.

2. Basis of consolidation

The Group results consolidate the accounts of Zytronic plc and all its subsidiary undertakings drawn up to 31 March 2012.

3. Tax charge on profit on ordinary activities

The estimated tax rate for the year of 23% has been applied to the half year's profit before tax, in accordance with the ASB's statement on interim reports.

4. Earnings per share

Basic EPS is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. All activities are continuing operations and therefore there is no difference between EPS arising from total operations and EPS arising from continuing operations.

For the six months to 31 March 2012 and 2011

	Earnings 31 March 2012 £'000	Weighted average number of shares 31 March 2012 Thousands	EPS 31 March 2012 Pence	Earnings 31 March 2011 £'000	Weighted average number of shares 31 March 2011 Thousands	EPS 31 March 2011 Pence
Profit on ordinary activities after taxation attributable to ordinary equity holders	1,632	14,756	11.1	936	14,170	6.4
Basic EPS	1,632	14,756	11.1	936	14,170	6.4

4. Earnings per share *continued*

For the six months to 31 March 2012 and 2011 *continued*

The weighted average number of shares for diluted EPS is calculated by including the weighted average number of shares under option:

	Earnings 31 March 2012 £'000	Weighted average number of shares 31 March 2012 Thousands	EPS 31 March 2012 Pence	Earnings 31 March 2011 £'000	Weighted average number of shares 31 March 2011 Thousands	EPS 31 March 2011 Pence
Profit on ordinary activities after taxation attributable to ordinary equity holders	1,632	14,756	11.1	936	14,710	6.4
Weighted average number of shares under option	—	164	(0.2)	—	116	(0.1)
Diluted EPS	1,632	14,920	10.9	936	14,826	6.3

For the year to 30 September 2011

	Earnings 30 September 2011 £'000	Weighted average number of shares 30 September 2011 Thousands	EPS 30 September 2011 Pence
Profit on ordinary activities after taxation attributable to ordinary equity holders	2,692	14,718	18.3
Basic EPS	2,692	14,718	18.3

The weighted average number of shares for diluted EPS is calculated by including the weighted average number of shares under option:

	Earnings 30 September 2011 £'000	Weighted average number of shares 30 September 2011 Thousands	EPS 30 September 2011 Pence
Profit on ordinary activities after taxation attributable to ordinary equity holders	2,692	14,718	18.3
Weighted average number of shares under option	—	124	(0.2)
Diluted EPS	2,692	14,842	18.1

Notes to the interim report *continued*

Unaudited results for the six months to 31 March 2012

5. Dividends

The Directors propose the payment of an interim dividend of 2.6p per share (2011: 2.1p), payable on 27 July 2012 to shareholders on the Register on 13 July 2012. This dividend has not been accrued in these interim accounts. The dividend payment will be £387,000.

	Six months to 31 March 2012 Unaudited £'000	Six months to 31 March 2011 Unaudited £'000	Year to 30 September 2011 Audited £'000
Ordinary dividends on equity shares			
Final dividend of 5.0p per ordinary share paid on 25 February 2011	—	735	735
Interim dividend of 2.1p per ordinary share paid on 29 July 2011	—	—	309
Final dividend of 5.6p per ordinary share paid on 24 February 2012	830	—	—
	830	735	1,044

6. Cash and cash equivalents

	Six months to 31 March 2012 Unaudited £'000	Six months to 31 March 2011 Unaudited £'000	Year to 30 September 2011 Audited £'000
Cash at bank and in hand	4,449	2,070	4,513

For the purpose of the consolidated cashflow statement, cash and cash equivalents comprise the following:

	Six months to 31 March 2012 Unaudited £'000	Six months to 31 March 2011 Unaudited £'000	Year to 30 September 2011 Audited £'000
Cash at bank and in hand	1,280	2,070	1,302
Short term deposits	3,169	—	3,211
Bank overdraft	(1,641)	(1,288)	(1,935)
	2,808	782	2,578

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made overnight, depending on the immediate cash requirements of the Group, and earn interest at base rate.

The fair value of cash and cash equivalents is £2.8m (2011: £782k).

At 31 March 2012, the Group had an unused, committed, £2.0m revolving credit facility which is available until 30 June 2012. In addition, the Group has a net overdraft facility with Lloyds TSB Bank plc of £1.0m which expires in June 2012, to be replaced by new facilities of £1.0m from Barclays Bank plc. Overdrawn accounts in foreign currencies totalled £1.6m at 31 March 2012, offset by cash balances of £4.4m.

Corporate information

Board of Directors

Tudor Griffith Davies, B.Sc

Non-executive Chairman

Mark Cambridge, B.Sc

Chief Executive

Denis Gerald Wilson Mullan, B.Sc, FCA

Group Finance Director

David John Buffham

Independent Non-executive Director

Sir David Robert Macgowan Chapman Bt., DL, B Comm

Senior Independent Non-executive Director

Websites

www.zytronicplc.com

www.zytronic.co.uk

Secretary

Denis G W Mullan, B.Sc, FCA

Email: denis.mullan@zytronic.co.uk

Registered office

Whiteley Road

Blaydon-on-Tyne

Tyne & Wear

NE21 5NJ

Tel: 0191 414 5511

Fax: 0191 414 0545

Registration number

3881244

Stockbrokers and nominated adviser

Nplus1 Brewin LLP

150 Aldersgate Street

London

EC1A 4AB

Registrars

Computershare Investor Services PLC

The Pavilions

Bridgwater Road

Bristol

BS99 7NH

Auditors

Ernst & Young LLP

Citygate

St James' Boulevard

Newcastle-upon-Tyne

NE1 4JD

Bankers

Barclays Bank plc

71 Grey Street

Newcastle-upon-Tyne

NE99 1JP

Lloyds TSB Bank plc

PO Box 686

First Floor

Black Horse House

91 Sandyford Road

Newcastle-upon-Tyne

NE99 1JW

Santander Corporate Banking

Baltic Place

South Shore Road

Gateshead

NE8 3AE

Solicitors

Ward Hadaway

Sandgate House

102 Quayside

Newcastle-upon-Tyne

NE1 3DX

Muckle LLP

Time Central

32 Gallowgate

Newcastle-upon-Tyne

NE1 4BF



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Zytronic plc

Whiteley Road
Blaydon-on-Tyne
Tyne & Wear NE21 5NJ

Tel: 0191 414 5511
Fax: 0191 414 0545
Email: info@zytronic.co.uk
Web: www.zytronicplc.com
Web: www.zytronic.co.uk