



Zytronic plc

Interim report for the six months to 31 March 2015

A global touch



Zytronic is a leading global manufacturer of touch-based products for public access and industrial applications.

Over 14 years we have developed our patented PCT™ and MPCT™ sensing technologies into a family of product offerings. **Operating through a network of channel partners across the globe**, our integrated technologies are being used at leisure, on the street and in the workplace.

Unlike the majority of other touch technologies, the active component of Zytronic's technology is embedded behind the glass front for protection, providing a true safety laminated, pure-glass fronted construction.

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www.zytronic.co.uk

An in-depth view of our technology and applications.

Highlights

- Revenue increased to £10.0m (2014: £8.8m)
- Touch revenues account for 80% of total (2014: 77%)
- Gross profit margin improved to 39.9% (2014: 33.9%)
- Profit before tax increased by 15% to £1.6m (2014: £1.4m)
- Earnings per share (“EPS”) increased to 8.7p (2014: 7.7p)
- Interim dividend increased by 10% to 3.14p per share (2014 interim dividend: 2.85p)
- Net cash increased to £7.3m (30 September 2014: £6.3m)

“We are continuing to benefit from an improvement in current trading and on this basis expect to make further progress for the remainder of this year.”

Introduction

We are pleased to announce that the period has seen an increase in demand for our proprietary touchscreen products and a continuing improvement in revenues, margins and profits for the half year ended 31 March 2015.

Results

Revenues increased by 13% to £10.0m (2014: £8.8m), operating profit increased by 15% to £1.6m (2014: £1.4m), profit before tax increased by 15% to £1.6m (2014: £1.4m) and after tax of 18% (2014: 18%) resulted in profit after tax of £1.3m (2014: £1.2m). Earnings per share increased by 13% to 8.7p (2014: 7.7p).

The production efficiencies, and recent capital expenditure projects from last year, together with the increased revenues, and focus on products with our proprietary technology such as the larger format and multi-touch sensors, combined to increase gross margins to 40% (2014: 34%). However, the improvement in gross margins was, in part, offset by an increase in administration overheads, of which £0.4m (2014: £0.1m gain) arose from adverse currency movements as the US dollar exchange rate reduced to \$1.5 from our hedged positions between \$1.6 and \$1.7.

We have continued to see increased market penetration and growth in our largest market sectors of financial (ATM machines) and vending, as well as exploit the potential for our newer multi-touch and larger format touchscreens in other niche markets which require rugged, toughened glass solutions. In particular, our showcase of the new touchscreens incorporated into table and gaming machines for the leisure markets at the most recent gaming expos in the USA and UK have resulted in considerable interest.

Cash generation

The Group continued to generate cash with a net £2.1m being earned before the payment of £1.1m in respect of the final dividend for last year.

The Group's net cash position at 31 March 2015 was £7.3m (30 September 2014: £6.3m) after a liability of £1.4m in relation to a property mortgage.

Dividend

The Directors have declared a 10% increase to the dividend of 3.14p per share (2014: 2.85p) payable on 24 July 2015 to shareholders on the register on 10 July 2015.

Outlook

We are continuing to benefit from an improvement in current trading and on this basis expect to make further progress for the remainder of this year.

Tudor Davies B.Sc.

Chairman
19 May 2015

Consolidated statement of comprehensive income

Unaudited results for the six months to 31 March 2015

| | Notes | Six months to 31 March 2015 Unaudited £'000 | Six months to 31 March 2014 Unaudited £'000 | Year to 30 September 2014 Audited £'000 |
|-------------------------------|-------|---|---|---|
| Group revenue | | 10,004 | 8,828 | 18,886 |
| Cost of sales | | (6,015) | (5,839) | (11,979) |
| Gross profit | | 3,989 | 2,989 | 6,907 |
| Distribution costs | | (115) | (72) | (156) |
| Administration expenses | | (2,246) | (1,500) | (3,488) |
| Group operating profit | | 1,628 | 1,417 | 3,263 |
| Finance costs | | (15) | (18) | (35) |
| Finance revenue | | 11 | 12 | 33 |
| Profit before tax | | 1,624 | 1,411 | 3,261 |
| Tax expense | 3 | (290) | (254) | (301) |
| Profit for the period | | 1,334 | 1,157 | 2,960 |
| Earnings per share | | | | |
| Basic | 4 | 8.7p | 7.7p | 19.6p |
| Diluted | 4 | 8.6p | 7.6p | 19.5p |

All profits are from continuing operations.

Consolidated statement of changes in equity

Unaudited results for the six months to 31 March 2015

| | Called up share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total £'000 |
|-------------------------------------|--|---------------------------|-------------------------------|----------------|
| At 30 September 2014 | 152 | 7,290 | 10,611 | 18,053 |
| Profit for the period | — | — | 1,334 | 1,334 |
| Exercise of share options | 1 | 140 | — | 141 |
| Share-based payments | — | — | 88 | 88 |
| Dividends | — | — | (1,093) | (1,093) |
| At 30 March 2015 (unaudited) | 153 | 7,430 | 10,940 | 18,523 |

Consolidated balance sheet

Unaudited results at 31 March 2015

| | Notes | At 31 March 2015 Unaudited £'000 | At 31 March 2014 Unaudited £'000 | At 30 September 2014 Audited £'000 |
|-------------------------------------|-------|--|--|--|
| Assets | | | | |
| Non-current assets | | | | |
| Intangible assets | | 1,415 | 1,455 | 1,413 |
| Property, plant and equipment | | 7,677 | 7,616 | 7,443 |
| | | 9,092 | 9,071 | 8,856 |
| Current assets | | | | |
| Inventories | | 3,085 | 3,342 | 3,126 |
| Trade and other receivables | | 3,076 | 2,671 | 3,068 |
| Other current financial assets | | 110 | — | 48 |
| Cash and short term deposits | | 8,730 | 6,270 | 7,806 |
| | | 15,001 | 12,283 | 14,048 |
| Total assets | | 24,093 | 21,354 | 22,904 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Trade and other payables | | 1,656 | 1,325 | 1,057 |
| Financial liabilities | | 200 | 200 | 200 |
| Other current financial liabilities | | 519 | — | 224 |
| Accruals | | 959 | 1,058 | 1,264 |
| Taxation liabilities | | 232 | 241 | 30 |
| | | 3,566 | 2,824 | 2,775 |
| Non-current liabilities | | | | |
| Financial liabilities | | 1,243 | 1,439 | 1,341 |
| Provisions | 5 | 102 | — | 139 |
| Government grants | | 63 | — | — |
| Deferred tax liabilities (net) | | 596 | 626 | 596 |
| | | 2,004 | 2,065 | 2,076 |
| Total liabilities | | 5,570 | 4,889 | 4,851 |
| Net assets | | 18,523 | 16,465 | 18,053 |
| Equity | | | | |
| Equity share capital | | 153 | 151 | 152 |
| Share premium | | 7,430 | 7,144 | 7,290 |
| Revenue reserve | | 10,940 | 9,170 | 10,611 |
| Total equity | | 18,523 | 16,465 | 18,053 |

Consolidated cashflow statement

Unaudited results for the six months to 31 March 2015

| | Notes | Six months to 31 March 2015 Unaudited £'000 | Six months to 31 March 2014 Unaudited £'000 | Year to 30 September 2014 Audited £'000 |
|--|-------|---|---|---|
| Operating activities | | | | |
| Profit from continuing operations | | 1,624 | 1,411 | 3,261 |
| Net finance costs | | 4 | 6 | 2 |
| Depreciation and impairment of property, plant and equipment | | 362 | 345 | 672 |
| Amortisation and impairment of intangible assets | | 166 | 161 | 362 |
| Loss on disposals of intangible assets | | — | 18 | — |
| Share-based payments | | 88 | 23 | 93 |
| Fair value movement on foreign exchange forward contracts | | 233 | — | 176 |
| Working capital adjustments | | | | |
| Decrease in inventories | | 41 | 167 | 383 |
| Increase in trade and other receivables | | (8) | (242) | (638) |
| Increase in trade and other payables and provisions | | 163 | 251 | 370 |
| Cash generated from operations | | 2,673 | 2,140 | 4,681 |
| Taxation paid | | (89) | (206) | (497) |
| Net cashflow from operating activities | | 2,584 | 1,934 | 4,184 |
| Investing activities | | | | |
| Interest received | | 11 | 12 | 33 |
| Proceeds from disposal of property, plant and equipment | | — | — | 36 |
| Receipt of government grant | | 63 | — | — |
| Payments to acquire property, plant and equipment | | (499) | (35) | (263) |
| Payments to acquire intangible assets | | (168) | (181) | (322) |
| Net cashflow from investing activities | | (593) | (204) | (516) |
| Financing activities | | | | |
| Interest paid | | (15) | (18) | (35) |
| Dividends paid to equity shareholders of the parent | | (1,093) | (958) | (1,390) |
| Proceeds from share issues re. options | | 141 | 142 | 289 |
| Repayment of borrowings | | (100) | (100) | (200) |
| Net cash outflow from financing activities | | (1,067) | (934) | (1,336) |
| Increase in cash and cash equivalents | | 924 | 796 | 2,332 |
| Cash and cash equivalents at the beginning of the period | | 7,806 | 5,474 | 5,474 |
| Cash and cash equivalents at the period end | 7 | 8,730 | 6,270 | 7,806 |

Notes to the interim report

Unaudited results for the six months to 31 March 2015

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 report and financial statements.

The interim results for the six months to 31 March 2015 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 2014 annual report and financial statements.

The financial information for the six months to 31 March 2015 and the comparative financial information for the six months to 31 March 2014 have not been audited. The comparative financial information for the year ended 30 September 2014 has been extracted from the 2014 annual report and financial statements.

The annual report and financial statements for the year ended 30 September 2014, which were approved by the Board of Directors on 8 December 2014, 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 products 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 2015.

3. Tax charge on profit on ordinary activities

The estimated tax rate for the year of 18% 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 2015 and 2014

| | Earnings 31 March 2015 £'000 | Weighted average number of shares 31 March 2015 Thousands | EPS 31 March 2015 Pence | Earnings 31 March 2014 £'000 | Weighted average number of shares 31 March 2014 Thousands | EPS 31 March 2014 Pence |
|--|---------------------------------------|---|----------------------------------|---------------------------------------|---|----------------------------------|
| Profit on ordinary activities after taxation | 1,334 | 15,221 | 8.7 | 1,157 | 15,112 | 7.7 |
| Basic EPS | 1,334 | 15,221 | 8.7 | 1,157 | 15,112 | 7.7 |

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

4. Earnings per share *continued*

For the six months to 31 March 2015 and 2014 continued

| | Earnings 31 March 2015 £'000 | Weighted average number of shares 31 March 2015 Thousands | EPS 31 March 2015 Pence | Earnings 31 March 2014 £'000 | Weighted average number of shares 31 March 2014 Thousands | EPS 31 March 2014 Pence |
|--|---------------------------------------|---|----------------------------------|---------------------------------------|---|----------------------------------|
| Profit on ordinary activities after taxation | 1,334 | 15,221 | 8.7 | 1,157 | 15,112 | 7.7 |
| Weighted average number of shares under option | — | 235 | (0.1) | — | 50 | (0.1) |
| Diluted EPS | 1,334 | 15,456 | 8.6 | 1,157 | 15,162 | 7.6 |

For the year to 30 September 2014

| | Earnings 30 September 2014 £'000 | Weighted average number of shares 30 September 2014 Thousands | EPS 30 September 2014 Pence |
|--|---|---|--------------------------------------|
| Profit on ordinary activities after taxation | 2,960 | 15,098 | 19.6 |
| Basic EPS | 2,960 | 15,098 | 19.6 |

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

| | Earnings 30 September 2014 £'000 | Weighted average number of shares 30 September 2014 Thousands | EPS 30 September 2014 Pence |
|--|---|---|--------------------------------------|
| Profit on ordinary activities after taxation | 2,960 | 15,098 | 19.6 |
| Weighted average number of shares under option | — | 95 | (0.1) |
| Diluted EPS | 2,960 | 15,193 | 19.5 |

5. Provisions

| | Holiday pay £'000 | Long term incentive £'000 | Total £'000 |
|--------------------------|----------------------|---------------------------------|----------------|
| At 1 October 2014 | 71 | 68 | 139 |
| Arising during the year | — | 34 | 34 |
| Released during the year | (71) | — | (71) |
| At 31 March 2015 | — | 102 | 102 |
| Non-current | — | 102 | 102 |

Holiday pay

The holiday pay provision relates to the estimated exposure to additional costs in relation to the inclusion of overtime in holiday payments as a result of recent rulings on the interpretation of the EU Working Time Directive. The provision has since been released following the business decision to include overtime in holiday payments, which has therefore put any potential claim out of time.

Notes to the interim report *continued*

Unaudited results for the six months to 31 March 2015

5. Provisions *continued***Long term incentive**

The provision for the long term incentive scheme relating to the Chief Executive, Group Finance Director and other management personnel is calculated based on future expectations that the bonus will be payable. Management has assessed the criteria that determines the payout and has taken a view that a proportion of the bonus should be provided for in the year ended 30 September 2014 and the half year ended 31 March 2015.

6. Dividends

The Directors propose the payment of an interim dividend of 3.14p per share (2014 interim dividend: 2.85p), payable on 24 July 2015 to shareholders on the register on 10 July 2015. This dividend has not been accrued in these interim accounts. The dividend payment will be approximately £479,000.

| | Six months to 31 March 2015 Unaudited £'000 | Six months to 31 March 2014 Unaudited £'000 | Year to 30 September 2014 Audited £'000 |
|---|---|---|---|
| Ordinary dividends on equity shares | | | |
| Final dividend of 6.35p per ordinary share paid on 14 March 2014 | — | 958 | 958 |
| Interim dividend of 2.85p per ordinary share paid on 25 July 2014 | — | 432 | 432 |
| Final dividend of 7.16p per ordinary share paid on 13 March 2015 | 1,093 | — | — |
| | 1,093 | 1,390 | 1,390 |

7. Cash and cash equivalents

| | Six months to 31 March 2015 Unaudited £'000 | Six months to 31 March 2014 Unaudited £'000 | Year to 30 September 2014 Audited £'000 |
|--------------------------|---|---|---|
| Cash at bank and in hand | 8,730 | 6,270 | 7,806 |

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

| | Six months to 31 March 2015 Unaudited £'000 | Six months to 31 March 2014 Unaudited £'000 | Year to 30 September 2014 Audited £'000 |
|--------------------------|---|---|---|
| Cash at bank and in hand | 7,588 | 4,922 | 6,950 |
| Short term deposits | 2,570 | 2,545 | 2,560 |
| Bank overdraft | (1,428) | (1,197) | (1,704) |
| | 8,730 | 6,270 | 7,806 |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for variable lengths, being overnight, three months or one year (with break conditions), depending on the immediate cash requirements of the Group, and earn interest at variable rates.

At 31 March 2015 the Group had available a net £1.0m (cash less overdrawn accounts) overdraft facility from Barclays Bank plc which will fall for review in January 2016.

The fair value of cash and cash equivalents is £8.7m (31 March 2014: £6.3m).

Corporate information

Board of Directors

Tudor Griffith Davies, B.Sc.

Non-executive Chairman

Mark Cambridge, B.Sc. (Hons), FloD

Chief Executive

**Claire Smith BA (Hons), ACMA,
CGMA, CertICM**

Group Finance Director

David John Buffham

Independent Non-executive Director

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

Senior Independent
Non-executive Director

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**Claire Smith, BA (Hons) ACMA,
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