



Zytronic plc

Interim report for the six months to 31 March 2014



**The touch solution
for all environments**

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

Our patented Projected Capacitive Technologies (“PCT™”) and Mutual Projected Capacitive (“MPCT™”) are unique to Zytronic and offer significant benefits to traditional users of resistive, capacitive and surface acoustic wave (“SAW”) technologies.

Unlike 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

In-depth view of our technology and applications

Overview

- Revenue increased to £8.8m (H1 FY2013: £8.5m)
- Touch revenues account for 77% of total (H1 FY2013: 74%)
- Gross profit margin improved to 33.9% (H1 FY2013: 26.0%)
- Profit before tax increased by 87% to £1.4m (H1 FY2013: £0.8m)
- Earnings per share (“EPS”) increased to 7.7p (H1 FY2013: 4.1p)
- Interim dividend increased by 3.6% to 2.85p per share (2013 interim dividend: 2.75p)
- Net cash increased to £4.6m (H1 FY2013: £2.8m)

Chairman's statement

“We have a good pipeline of future prospects from both existing and new customers and with current trading continuing at the recently improved levels, we expect to make further progress.”

Introduction

We are pleased to announce a considerable increase in the interim results for the half year ended 31 March 2014, led by an improved mix of touch product orders and a significant improvement in margins.

Results

Operating profit increased by 83% to £1.4m (2013: £0.8m) on revenues of £8.8m (2013: £8.5m). Profit before taxation increased by 87% to £1.4m (2013: £0.8m) and after taxation of 18% (2013: 20%) resulted in profit after taxation of £1.2m (2013: £0.6m). Earnings per share increased by 88% to 7.7p (2013: 4.1p).

The increase in profits principally arose from a significant improvement in gross margin to 34% (2013: 26%) driven by increased touch revenues of 9% to £6.8m (2013: £6.3m), a better mix of larger format touch products and production efficiencies.

The touch sensor business benefited from a redesign in the ATM market, increased orders from ticket machine manufacturing in EMEA and large format sized gaming applications in the USA. Our newer ultra-large format multi-touch technology solution for signage and interactive table applications also made encouraging progress.

Cash generation

The Group generated a net £1.8m of cash before the payment of £1.0m in respect of the final dividend for last year.

The Group's net current cash position at 31 March 2014 was £6.1m (30 September 2013: £5.3m) before a non-current liability of £1.4m in relation to a property mortgage.

Dividend

The Directors have declared a dividend of 2.85p per share (2013: 2.75p) payable on 25 July 2014 to shareholders on the Register on 11 July 2014.

Outlook

We have a good pipeline of future prospects from both existing and new customers and with current trading continuing at the recently improved levels, we expect to make further progress.

Tudor Davies B.Sc.

Chairman

13 May 2014

Consolidated statement of comprehensive income

Unaudited results for the six months to 31 March 2014

	Notes	Six months to 31 March 2014 Unaudited £'000	Six months to 31 March 2013 Unaudited £'000	Year to 30 September 2013 Audited £'000
Group revenue		8,828	8,504	17,282
Cost of sales		5,839	6,295	11,961
Exceptional costs		—	—	413
Gross profit		2,989	2,209	4,908
Distribution costs		72	90	210
Administration expenses		1,500	1,437	2,858
Group trading profit		1,417	682	1,840
Other operating income		—	93	94
Group operating profit from continuing operations		1,417	775	1,934
Finance costs		18	28	39
Finance revenue		12	8	44
Profit from continuing operations		1,411	755	1,939
Tax expense	3	254	151	277
Profit for the period from continuing operations		1,157	604	1,662
Earnings per share				
Basic	4	7.7p	4.1p	11.1p
Diluted	4	7.6p	4.0p	11.0p
Adjusted earnings per share excluding exceptional costs				
Basic	4	7.7p	4.1p	13.9p
Diluted	4	7.6p	4.0p	13.8p

Consolidated statement of changes in equity

Unaudited results for the six months to 31 March 2014

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 30 September 2013	150	7,003	8,948	16,101
Profit for the period	—	—	1,157	1,157
Exercise of share options	1	141	—	142
Share-based payments	—	—	23	23
Dividends	—	—	(958)	(958)
At 30 March 2014 (unaudited)	151	7,144	9,170	16,465

Consolidated balance sheet

Unaudited results at 31 March 2014

	At 31 March 2014 Unaudited £'000	At 31 March 2013 Unaudited £'000	At 30 September 2013 Audited £'000
Assets			
Non-current assets			
Intangible assets	1,455	1,528	1,453
Property, plant and equipment	7,616	8,074	7,888
Trade and other receivables	—	413	—
	9,071	10,015	9,341
Current assets			
Inventories	3,342	2,542	3,509
Trade and other receivables	2,671	2,968	2,430
Cash and short term deposits	6,270	4,618	5,474
	12,283	10,128	11,413
Total assets	21,354	20,143	20,754
Equity and liabilities			
Current liabilities			
Trade and other payables	1,325	1,186	1,410
Financial liabilities	200	200	200
Accruals	1,058	895	688
Taxation liabilities	241	259	192
Government grants	—	1	—
	2,824	2,541	2,490
Non-current liabilities			
Financial liabilities	1,439	1,637	1,538
Deferred tax liabilities (net)	626	602	625
	2,065	2,239	2,163
Total liabilities	4,889	4,780	4,653
Net assets	16,465	15,363	16,101
Capital and reserves			
Equity share capital	151	149	150
Share premium	7,144	6,899	7,003
Revenue reserve	9,170	8,315	8,948
Total equity	16,465	15,363	16,101

Consolidated cashflow statement

Unaudited results for the six months to 31 March 2014

	Six months to 31 March 2014 Unaudited £'000	Six months to 31 March 2013 Unaudited £'000	Year to 30 September 2013 Audited £'000
Notes			
Operating activities			
Profit from continuing operations	1,411	755	1,939
Net finance costs	6	20	(5)
Depreciation and impairment of property, plant and equipment	345	350	695
Amortisation and impairment of intangible assets	161	165	380
Loss/(profit) on disposals of intangible assets	18	12	(37)
Amortisation of government grant	—	(96)	(97)
Share-based payments	23	22	80
Working capital adjustments			
Decrease/(increase) in inventories	167	899	(68)
(Increase)/decrease in trade and other receivables	(242)	122	1,073
Increase/(decrease) in trade and other payables	251	(145)	(86)
Cash generated from operations	2,140	2,104	3,874
Taxation paid	(206)	(368)	(607)
Net cashflow from operating activities	1,934	1,736	3,267
Investing activities			
Interest received	12	8	44
Proceeds from disposal of intangible assets	—	—	49
Payments to acquire property, plant and equipment	(35)	(293)	(492)
Payments to acquire intangible assets	(181)	(81)	(220)
Net cashflow from investing activities	(204)	(366)	(619)
Financing activities			
Interest paid	(18)	(28)	(39)
Dividends paid to equity shareholders of the parent	(958)	(880)	(1,294)
Proceeds from share issue re options	142	37	142
Repayment of borrowings	(100)	(98)	(200)
Net cash outflow from financing activities	(934)	(969)	(1,391)
Increase in cash and cash equivalents	796	401	1,257
Cash and cash equivalents at the beginning of the period	5,474	4,217	4,217
Cash and cash equivalents at the period end	6,270	4,618	5,474

Notes to the interim report

Unaudited results for the six months to 31 March 2014

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 2014 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 2013 annual report and financial statements.

The financial information for the six months to 31 March 2014 and the comparative financial information for the six months to 31 March 2013 have not been audited. The comparative financial information for the year ended 30 September 2013 has been extracted from the 2013 annual report and financial statements.

The annual report and financial statements for the year ended 30 September 2013, which were approved by the Board of Directors on 20 December 2013, 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 2014.

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 2014 and 2013

	Earnings 31 March 2014 £'000	Weighted average number of shares 31 March 2014 Thousands	EPS 31 March 2014 Pence	Earnings 31 March 2013 £'000	Weighted average number of shares 31 March 2013 Thousands	EPS 31 March 2013 Pence
Profit on ordinary activities after taxation	1,157	15,112	7.7	604	14,917	4.1
Basic EPS	1,157	15,112	7.7	604	14,917	4.1
Adjusted EPS	1,157	15,112	7.7	604	14,917	4.1

4. Earnings per share continued

For the six months to 31 March 2014 and 2013 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 2014 £'000	Weighted average number of shares 31 March 2014 Thousands	EPS 31 March 2014 Pence	Earnings 31 March 2013 £'000	Weighted average number of shares 31 March 2013 Thousands	EPS 31 March 2013 Pence
Profit on ordinary activities after taxation	1,157	15,112	7.7	604	14,917	4.1
Weighted average number of shares under option	—	50	(0.1)	—	275	(0.1)
Diluted EPS	1,157	15,162	7.6	604	15,192	4.0
Adjusted diluted EPS	1,157	15,162	7.6	604	15,192	4.0

For the year to 30 September 2013

	Earnings 30 September 2013 £'000	Weighted average number of shares 30 September 2013 Thousands	EPS 30 September 2013 Pence
Profit on ordinary activities after taxation	1,662	14,943	11.1
Basic EPS	1,662	14,943	11.1
Adjusted EPS	2,075	14,943	13.9

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

	Earnings 30 September 2013 £'000	Weighted average number of shares 30 September 2013 Thousands	EPS 30 September 2013 Pence
Profit on ordinary activities after taxation	1,662	14,943	11.1
Weighted average number of shares under option	—	120	(0.1)
Diluted EPS	1,662	15,063	11.0
Adjusted diluted EPS	2,075	15,063	13.8

Notes to the interim report continued

Unaudited results for the six months to 31 March 2014

5. Dividends

The Directors propose the payment of an interim dividend of 2.85p per share (2013 interim: 2.75p), payable on 25 July 2014 to shareholders on the Register on 11 July 2014. This dividend has not been accrued in these interim accounts. The dividend payment will be about £430,000.

	Six months to 31 March 2014 Unaudited £'000	Six months to 31 March 2013 Unaudited £'000	Year to 30 September 2013 Audited £'000
Ordinary dividends on equity shares			
Final dividend of 5.90p per ordinary share paid on 15 March 2013	—	880	880
Interim dividend of 2.75p per ordinary share paid on 26 July 2013	—	—	414
Final dividend of 6.35p per ordinary share paid on 14 March 2014	958	—	—
	958	880	1,294

6. Cash and cash equivalents

	Six months to 31 March 2014 Unaudited £'000	Six months to 31 March 2013 Unaudited £'000	Year to 30 September 2013 Audited £'000
Cash at bank and in hand	6,270	4,618	5,474

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

	Six months to 31 March 2014 Unaudited £'000	Six months to 31 March 2013 Unaudited £'000	Year to 30 September 2013 Audited £'000
Cash at bank and in hand	4,922	2,580	3,716
Short term deposits	2,545	3,402	2,534
Bank overdraft	(1,197)	(1,364)	(776)
	6,270	4,618	5,474

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 2014 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 2015.

The fair value of cash and cash equivalents is £6.3m (31 March 2013: £4.6m).

Corporate information

Board of Directors

Tudor Griffith Davies, B.Sc.

Non-executive Chairman

Mark Cambridge, B.Sc. FIoD

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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