



ZYTRONIC

ZYTRONIC PLC
INTERIM REPORT FOR THE SIX MONTHS TO 31 MARCH 2021

Pioneering the touchscreen revolution for 21 years

Zytronic's vision is to make its unique touch sensor technology pre-eminent in markets that require medium to large sized touch interactive systems.



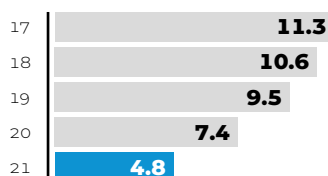
HIGHLIGHTS

- ▶ Group revenue of £4.8m (2020: £7.4m), impacted by the Coronavirus pandemic
- ▶ EBITDA of £0.2m (2020: £1.0m)
- ▶ Loss before tax of £0.3m (2020: profit of £0.5m)
- ▶ Basic (loss)/earnings per share of (1.2)p (2020: 2.5p)
- ▶ Positive operating cashflow of £0.4m (2020: £1.9m)
- ▶ Net cash of £7.8m (30 September 2020: £14.0m), after payment of £6.7m in respect of the return of capital

FINANCIAL OVERVIEW

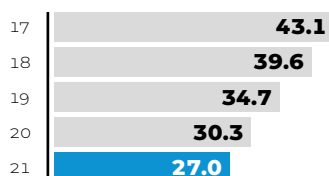
Group revenue (£m)

£4.8m



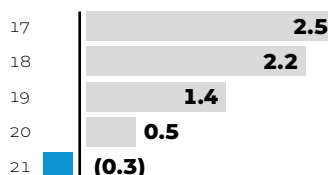
Gross profit margin (%)

27.0%



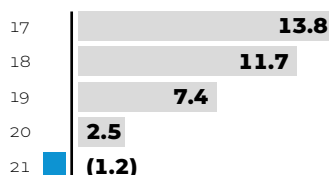
(Loss)/profit before tax (£m)

£(0.3m)



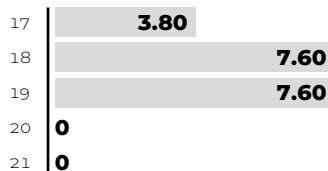
Basic (loss)/earnings per share (p)

(1.2)p



Interim dividend (p)

0p



CONTENTS

REVIEW OF THE PERIOD

Highlights	1
Chairman's statement	2

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income	3
Consolidated statement of changes in equity	3
Consolidated statement of financial position	4
Consolidated cashflow statement	5
Notes to the interim report	6
Corporate information	IBC

CHAIRMAN'S STATEMENT

The recent improvement in orders and sales are an encouraging sign of the prospects for the second half and for a return to profitability as more normal global trading resumes post-COVID-19.

Introduction

In the January trading update, we explained that sales continued to be badly affected by the Coronavirus pandemic, but the prior year's reorganisation and cost reduction measures were enabling us to maintain a positive EBITDA, and there were some signs of an improvement in the order intake.

We are pleased to report a continuation of the improvement in order intake and sales during the remainder of the first half to 31 March 2021, and now expect a gradual return to profitability as long as the Coronavirus pandemic continues to be controlled in our major markets of Europe, Asia and the Americas.

Trading

Revenues for the half year ended 31 March 2021 were £4.8m (2020: £7.4m), with gross margin of 27.0% (2020: 30.3%), EBITDA of £0.2m (2020: £1.0m) and after depreciation and amortisation the loss before tax was £0.3m (2020: profit of £0.5m).

Whilst the drop in revenues of 35% is significant when compared with the same period last year, the comparison with a pre-COVID-19 period only provides an indicator of more normal historic

trading levels. A better indicator of progress at this stage is the order intake, and from April last year we had continued to experience a consistently low order intake level. However, from January onwards we have seen an improving monthly average order intake, and it is particularly pleasing that the Gaming and Financial sectors have made a major contribution to the improvement.

Cash position

The Board decided that the £14.0m cash balances as at 30 September 2020, arising from the Company's 16-year record of unbroken profitability prior to the pandemic, and despite a 15-year unbroken dividend, should provide the opportunity for shareholders to either participate in a return of surplus cash, or to maintain their shareholdings.

Following the conclusion of the Tender Offer on 25 February 2021, the number of shares in issue reduced by 28.8% to 11,419,152 as 4,624,889 shares were purchased at a price of 145p and a cost of £6.7m.

We continue to be in a strong financial position with cash balances of £7.8m (30 September 2020: £14.0m) and are pleased that despite the considerable downturn we have generated £0.4m.

Outlook

Whilst we are starting from a very low base compared with our historic sales levels, the recent improvement in orders and sales are an encouraging sign of the prospects for the second half and for a return to profitability as more normal global trading resumes post-COVID-19.

Tudor Davies

Chairman
11 May 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
UNAUDITED RESULTS FOR THE SIX MONTHS TO 31 MARCH 2021

	Notes	Six months to 31 March 2021 Unaudited £'000	Six months to 31 March 2020 Unaudited £'000	Year to 30 September 2020 Audited £'000
Group revenue		4,784	7,378	12,680
Cost of sales		(3,490)	(5,146)	(10,130)
Cost of sales excluding exceptional items		(3,490)	(5,146)	(9,015)
Exceptional items	3a	—	—	(1,115)
Gross profit		1,294	2,232	2,550
Distribution costs		(66)	(135)	(196)
Administration expenses		(1,542)	(1,679)	(3,318)
Administration expenses excluding exceptional items		(1,542)	(1,679)	(3,060)
Exceptional items	3b	—	—	(258)
Group trading (loss)/profit		(314)	418	(964)
Exceptional other income	4	—	—	500
Group operating (loss)/profit		(314)	418	(464)
Finance revenue		—	40	41
(Loss)/profit before tax		(314)	458	(423)
Tax credit/(expense)	5	130	(64)	129
(Loss)/profit for the period		(184)	394	(294)
(Loss)/earnings per share				
Basic	6	(1.2)p	2.5p	(1.8)p
Diluted	6	(1.2)p	2.5p	(1.8)p

All activities are from continuing operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
UNAUDITED RESULTS FOR THE SIX MONTHS TO 31 MARCH 2021

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 October 2020	160	8,994	13,911	23,065
Loss for the period	—	—	(184)	(184)
Repurchase and cancellation of shares	(46)	—	(6,660)	(6,706)
At 31 March 2021 (unaudited)	114	8,994	7,067	16,175

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
UNAUDITED RESULTS AT 31 MARCH 2021

	Notes	At 31 March 2021 Unaudited £'000	At 31 March 2020 Unaudited £'000	At 30 September 2020 Audited £'000
Assets				
Non-current assets				
Intangible assets		875	1,208	1,043
Property, plant and equipment		5,490	6,126	5,820
		6,365	7,334	6,863
Current assets				
Inventories		1,621	2,713	2,332
Trade and other receivables		1,912	3,357	1,888
Derivative financial assets		8	—	—
Cash and short term deposits	8	7,752	12,369	14,038
		11,293	18,439	18,258
Total assets		17,658	25,773	25,121
Equity and liabilities				
Current liabilities				
Trade and other payables		489	650	591
Derivative financial liabilities		—	93	—
Provisions		—	—	582
Accruals		489	636	376
Government grants		25	—	27
Tax liabilities		—	125	—
		1,003	1,504	1,576
Non-current liabilities				
Deferred tax liabilities (net)		480	516	480
		480	516	480
Total liabilities		1,483	2,020	2,056
Net assets		16,175	23,753	23,065
Capital and reserves				
	9			
Equity share capital		114	160	160
Share premium		8,994	8,994	8,994
Retained earnings		7,067	14,599	13,911
Total equity		16,175	23,753	23,065

CONSOLIDATED CASHFLOW STATEMENT

UNAUDITED RESULTS FOR THE SIX MONTHS TO 31 MARCH 2021

	Notes	Six months to 31 March 2021 Unaudited £'000	Six months to 31 March 2020 Unaudited £'000	Year to 30 September 2020 Audited £'000
Operating activities				
(Loss)/profit before tax		(314)	458	(423)
Finance income		—	(40)	(41)
Depreciation and impairment of property, plant and equipment		333	365	718
Amortisation, impairment and write-off of intangible assets		188	213	457
Amortisation of government grant		(2)	—	(442)
Fair value movement on foreign exchange forward contracts		8	72	(21)
Working capital adjustments				
Decrease in inventories		711	321	702
Decrease in trade and other receivables		47	770	2,360
(Decrease)/increase in trade and other payables and provisions		(589)	(170)	88
Cash generated from operations		382	1,989	3,398
Tax received/(paid)		61	(127)	(220)
Net cashflow from operating activities		443	1,862	3,178
Investing activities				
Interest received		—	31	41
Payments to acquire property, plant and equipment		(3)	(106)	(153)
Payments to acquire intangible assets		(20)	(122)	(201)
Net cashflow used in investing activities		(23)	(197)	(313)
Financing activities				
Dividends paid to equity shareholders of the Parent		—	(2,439)	(2,439)
Receipt of government grants		—	—	469
Repurchase and cancellation of shares		(6,706)	—	—
Net cashflow used in financing activities		(6,706)	(2,439)	(1,970)
(Decrease)/increase in cash and cash equivalents		(6,286)	(774)	895
Cash and cash equivalents at the beginning of the period		14,038	13,143	13,143
Cash and cash equivalents at the end of the period	8	7,752	12,369	14,038

NOTES TO THE INTERIM REPORT

UNAUDITED RESULTS FOR THE SIX MONTHS TO 31 MARCH 2021

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 tax 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 2021 are not reviewed by Crowe U.K. 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 2020 annual report and financial statements.

The financial information for the six months to 31 March 2021 and the comparative financial information for the six months to 31 March 2020 have not been audited. The comparative financial information for the year ended 30 September 2020 has been extracted from the 2020 annual report and financial statements.

The annual report and financial statements for the year ended 30 September 2020, which were approved by the Board of Directors on 7 December 2020, received an unqualified audit report, did not contain a statement under Sections 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 2021.

3. Exceptional costs

(a) Cost of sales

	Six months to 31 March 2021 Unaudited £'000	Six months to 31 March 2020 Unaudited £'000	Year to 30 September 2020 Audited £'000
Costs of restructuring	—	—	652
Costs of Furlough	—	—	463
Total exceptional costs	—	—	1,115

These charges have arisen as a direct result of the COVID-19 impact on the Group whereby restructuring was necessary to align headcount with operations.

(b) Administration expenses

	Six months to 31 March 2021 Unaudited £'000	Six months to 31 March 2020 Unaudited £'000	Year to 30 September 2020 Audited £'000
Costs of restructuring	—	—	144
Costs of Furlough	—	—	114
Total exceptional costs	—	—	258

These charges have arisen as a direct result of the COVID-19 impact on the Group whereby restructuring was necessary to align headcount with operations.

4. Exceptional other income

	Six months to 31 March 2021 Unaudited £'000	Six months to 31 March 2020 Unaudited £'000	Year to 30 September 2020 Audited £'000
Grant monies received	—	—	500
Total grant monies received	—	—	500

The income received and accrued as above is as a result of claims made under the CJRS for when personnel were on Furlough leave.

5. Tax charge on (loss)/profit on ordinary activities

The estimated tax rate for the year of 41% has been applied to the half year's loss before tax, in accordance with the Auditing Standards Board's statement on interim reports.

6. (Loss)/earnings per share ("LPS"/"EPS")

Basic LPS/EPS is calculated by dividing the (loss)/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 LPS/EPS arising from total operations and LPS/EPS arising from continuing operations.

For the six months to 31 March 2021 and 2020

	Loss 31 March 2021 £'000	Weighted average number of shares 31 March 2021 Thousands	LPS 31 March 2021 Pence	Earnings 31 March 2020 £'000	Weighted average number of shares 31 March 2020 Thousands	EPS 31 March 2020 Pence
(Loss)/profit on ordinary activities after tax	(184)	15,273	(1.2)	394	16,044	2.5
Basic LPS/EPS	(184)	15,273	(1.2)	394	16,044	2.5

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

	Loss 31 March 2021 £'000	Weighted average number of shares 31 March 2021 Thousands	LPS 31 March 2021 Pence	Earnings 31 March 2020 £'000	Weighted average number of shares 31 March 2020 Thousands	EPS 31 March 2020 Pence
(Loss)/profit on ordinary activities after tax	(184)	15,273	(1.2)	394	16,044	2.5
Weighted average number of shares under option	—	—	—	—	—	—
Diluted LPS/EPS	(184)	15,273	(1.2)	394	16,044	2.5

For the year to 30 September 2020

	Loss 30 September 2020 £'000	Weighted average number of shares 30 September 2020 Thousands	LPS 30 September 2020 Pence
Loss on ordinary activities after tax	(294)	16,044	(1.8)
Basic LPS	(294)	16,044	(1.8)

The weighted average number of shares for diluted LPS is calculated by including the weighted average number of shares under option.

	Loss 30 September 2020 £'000	Weighted average number of shares 30 September 2020 Thousands	LPS 30 September 2020 Pence
Loss on ordinary activities after tax	(294)	16,044	(1.8)
Weighted average number of shares under option	—	—	—
Diluted LPS	(294)	16,044	(1.8)

NOTES TO THE INTERIM REPORT CONTINUED
UNAUDITED RESULTS FOR THE SIX MONTHS TO 31 MARCH 2021

7. Dividends

Under the present circumstances, the Directors consider that it is appropriate to defer returns to shareholders until there is clear evidence of a return towards normality. Accordingly, no interim dividend is proposed for the period (2020: Nil). The table below reflects historic dividend payments.

	Six months to 31 March 2021 Unaudited £'000	Six months to 31 March 2020 Unaudited £'000	Year to 30 September 2020 Audited £'000
Ordinary dividends on equity shares			
Final dividend of 15.2p per ordinary share paid on 7 February 2020	—	2,439	2,439
	—	2,439	2,439

8. Cash and cash equivalents

	Six months to 31 March 2021 Unaudited £'000	Six months to 31 March 2020 Unaudited £'000	Year to 30 September 2020 Audited £'000
Cash at bank and in hand	7,752	12,369	14,038

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

	Six months to 31 March 2021 Unaudited £'000	Six months to 31 March 2020 Unaudited £'000	Year to 30 September 2020 Audited £'000
Cash at bank and in hand	7,752	9,839	11,503
Short term deposits	—	2,530	2,535
	7,752	12,369	14,038

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 2021 the Group had available a net £1.0m (cash less overdrawn accounts) overdraft facility from Barclays Bank plc, which will fall for review in July 2021.

The fair value of cash and cash equivalents is £7.8m (2020: £12.4m).

9. Capital and reserves

On 1 February 2021 the Company announced a proposed return of up to £10.0m of capital by way of a Tender Offer which was accepted by shareholders on 25 February 2021. As a result, 4,624,889 shares were purchased and subsequently cancelled by the Company at a price of 145p per share, returning £6.7m of the Company's cash.

10. Availability of the interim report

A copy of the interim report and interim results presentation is available on the Company's corporate website, www.zytronicplc.com. Copies can be requested from the Company's registered office: Whiteley Road, Blaydon-on-Tyne, Tyne and Wear NE21 5NJ.

CORPORATE INFORMATION

Websites

www.zytronicplc.com
www.zytronic.co.uk
www.zytronic-inc.com
www.zytronic.cn
www.zytronic.jp

Secretary

Claire Smith
Email: claire.smith@zytronic.co.uk

Registered office

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

Tel: 0191 414 5511
Fax: 0191 414 0545

Registration number

03881244

Stockbroker and nominated adviser

N+1 Singer

One Bartholomew Lane
London
EC2N 2AX

Registrars

Computershare Investor Services PLC

The Pavilions
Bridgwater Road
Bristol
BS13 8AE

Auditor

Crowe U.K. LLP

Black Country House
Rounds Green Road
Oldbury
B69 2DJ

Bankers

Barclays Bank plc

71 Grey Street
Newcastle-upon-Tyne
NE99 1JP

Handelsbanken

8 Keel Row
The Watermark
Gateshead
NE11 9SZ

Santander Corporate Banking

Baltic Place
South Shore Road
Gateshead
NE8 3AE

Yorkshire Bank

131-135 Northumberland Street
Newcastle-upon-Tyne
NE1 7AG

Regions Bank

2653 Marietta Hwy
Canton, GA
30114
USA

Solicitors

Ward Hadaway

Sandgate House
102 Quayside
Newcastle-upon-Tyne
NE1 3DX

Muckle LLP

Time Central
32 Gallowgate
Newcastle-upon-Tyne
NE1 4BF



Zytronic plc

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

Tel: 0191 414 5511
Fax: 0191 414 0545
Web: www.zytronicplc.com