



**Zytronic plc**  
Interim Report for the six months to 31 March 2020

# Pioneering the touchscreen revolution for 20 years

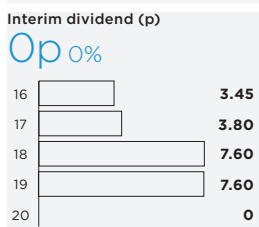
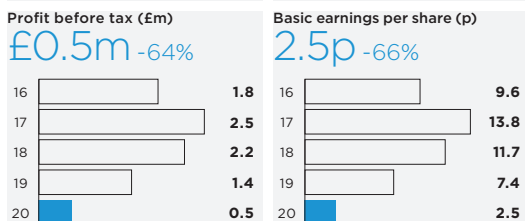
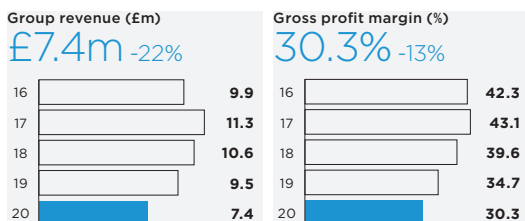
Zytronic's vision is to make its unique touch sensor technology pre-eminent in markets that require medium to large sized touch interactive systems.



## OVERVIEW

- ▶ Group revenue of £7.4m (2019: £9.5m), impacted by decreases in Gaming, Financial and Vending revenues
- ▶ Profit before tax of £0.5m (2019: £1.4m)
- ▶ No interim dividend due to COVID-19 (2019: 7.6p)
- ▶ Basic earnings per share (“EPS”) of 2.5p (2019: 7.4p)
- ▶ Positive operating cashflow of £2.0m (2019: £0.2m)
- ▶ Net cash of £12.4m (30 September 2019: £13.1m), reflecting payment of final dividend of £2.4m in respect of the prior financial year

## FINANCIAL OVERVIEW



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## CHAIRMAN'S STATEMENT

# Cash continues to underpin statement of financial position

As we indicated in December 2019 and at the AGM in February, the first half results are, as management expected, lower than the previous year as a result of a low conversion of opportunities into orders and sales. However, we were expecting an upturn as the year progressed, and in February and March the order book and sales improved considerably and until the impact of COVID-19, we were well on track for a second half at significantly improved levels.

### Trading

Revenues for the half year ended 31 March 2020 were £7.4m (2019: £9.5m), EBITDA was £1.0m (2019: £1.9m) and profits for the half year before tax were £0.5m (2019: £1.4m).

The decline in revenues principally arose from a low level of order intake in the latter part of 2019 which, as expected, recovered significantly thereafter. In January, February and March order intake was 15% higher than the same period in 2019, resulting in an order book of £2.7m at 31 March 2020 (2019: £2.0m).

In normal circumstances this improved order position would have formed the basis for a good performance in the second half and a much better result for the year as a whole. However, in recent weeks the effect of the COVID-19 pandemic has begun to affect supplies, deliveries and a deferral in orders. In common with most other businesses it is far too early for us to be able to assess how long this situation will last for. On a more positive note, our

growth markets within the APAC countries where the pandemic has had the earliest effects will hopefully return to normality quicker than others.

Subsequently, our operations have continued, at reduced levels of activity, without needing to shut the factory following appropriate adjustments to working practices and the cost base. Since 31 March we have in stages reduced factory hourly labour from 101 to 32 persons and staff from 63 to 35, principally through utilisation of the Government Job Retention Scheme (Furlough), and reduced other expenditure accordingly, with everything under constant review.

### Cash and dividend

We continue to be in a strong financial position with cash balances of £12.4m (30 September 2019: £13.1m), although as we explained in December 2019, with the recent downturn in results we were uncomfortable continuing to pay an uncovered dividend, which we had done for the prior two years.

In considering an interim dividend we are cognisant of the relatively low profits for the year to date and the extremely uncertain prospects for the remainder of the year as a whole and have decided that in these circumstances we should not pay an interim dividend and returns to shareholders should be deferred until there is a return towards normality.

### Outlook

We shall keep shareholders informed of any material developments, but in common with all businesses we are facing difficult and unprecedented circumstances with anything except very short term forecasts challenging, and as each month progresses without a real change of circumstances, the opportunity to benefit from what was an improving and promising situation to produce a positive return during this financial year is remote.

### Tudor Davies

Chairman  
12 May 2020

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### UNAUDITED RESULTS FOR THE SIX MONTHS TO 31 MARCH 2020

	Notes	Six months to 31 March 2020 Unaudited £'000	Six months to 31 March 2019 Unaudited £'000	Year to 30 September 2019 Audited £'000
<b>Group revenue</b>		<b>7,378</b>	9,463	20,104
Cost of sales		<b>(5,146)</b>	(6,178)	(13,311)
<b>Gross profit</b>		<b>2,232</b>	3,285	6,793
Distribution costs		<b>(135)</b>	(182)	(350)
Administration expenses		<b>(1,679)</b>	(1,755)	(3,462)
<b>Group trading profit</b>		<b>418</b>	1,348	2,981
Finance revenue		<b>40</b>	35	76
<b>Profit before tax</b>		<b>458</b>	1,383	3,057
Tax expense	3	<b>(64)</b>	(193)	(366)
<b>Profit for the period</b>		<b>394</b>	1,190	2,691
<b>Earnings per share</b>				
Basic	4	<b>2.5p</b>	7.4p	16.8p
Diluted	4	<b>2.5p</b>	7.4p	16.8p

All activities are from continuing operations.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### UNAUDITED RESULTS FOR THE SIX MONTHS TO 31 MARCH 2020

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
<b>At 1 October 2019</b>	160	8,994	16,644	25,798
Profit for the period	—	—	394	394
Dividends	—	—	(2,439)	(2,439)
<b>At 31 March 2020 (unaudited)</b>	<b>160</b>	<b>8,994</b>	<b>14,599</b>	<b>23,753</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### UNAUDITED RESULTS AT 31 MARCH 2020

	At 31 March 2020 Unaudited £'000	At 31 March 2019 Unaudited £'000	At 30 September 2019 Audited £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	1,208	1,460	1,299
Property, plant and equipment	6,126	6,566	6,385
	<b>7,334</b>	<b>8,026</b>	<b>7,684</b>
<b>Current assets</b>			
Inventories	2,713	3,948	3,034
Trade and other receivables	3,357	3,856	4,127
Cash and short term deposits	12,369	12,060	13,143
	<b>18,439</b>	<b>19,864</b>	<b>20,304</b>
<b>Total assets</b>	<b>25,773</b>	<b>27,890</b>	<b>27,988</b>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	650	978	962
Derivative financial liabilities	93	3	21
Accruals	636	591	499
Tax liabilities	125	227	192
	<b>1,504</b>	<b>1,799</b>	<b>1,674</b>
<b>Non-current liabilities</b>			
Government grants	—	13	—
Deferred tax liabilities (net)	516	562	516
	<b>516</b>	<b>575</b>	<b>516</b>
<b>Total liabilities</b>	<b>2,020</b>	<b>2,374</b>	<b>2,190</b>
<b>Net assets</b>	<b>23,753</b>	<b>25,516</b>	<b>25,798</b>
<b>Capital and reserves</b>			
Equity share capital	160	160	160
Share premium	8,994	8,994	8,994
Retained earnings	14,599	16,362	16,644
<b>Total equity</b>	<b>23,753</b>	<b>25,516</b>	<b>25,798</b>

**CONSOLIDATED CASHFLOW STATEMENT**

UNAUDITED RESULTS FOR THE SIX MONTHS TO 31 MARCH 2020

	Notes	Six months to 31 March 2020 Unaudited £'000	Six months to 31 March 2019 Unaudited £'000	Year to 30 September 2019 Audited £'000
<b>Operating activities</b>				
Profit before tax		458	1,383	3,057
Net finance income		(40)	(35)	(76)
Depreciation and impairment of property, plant and equipment		365	361	726
Amortisation, impairment and write-off of intangible assets		213	205	430
Amortisation of government grant		—	(3)	(15)
Fair value movement on foreign exchange forward contracts		72	(4)	14
<b>Working capital adjustments</b>				
Decrease/(increase) in inventories		321	(927)	(13)
Decrease/(increase) in trade and other receivables		770	(118)	(389)
Decrease in trade and other payables and provisions		(170)	(648)	(742)
Cash generated from operations		1,989	214	2,992
Tax (paid)/received		(127)	25	(238)
<b>Net cashflow from operating activities</b>		<b>1,862</b>	239	2,754
<b>Investing activities</b>				
Interest received		31	30	71
Payments to acquire property, plant and equipment		(106)	(322)	(506)
Payments to acquire intangible assets		(122)	(74)	(144)
<b>Net cashflow used in investing activities</b>		<b>(197)</b>	(366)	(579)
<b>Financing activities</b>				
Dividends paid to equity shareholders of the Parent		(2,439)	(2,439)	(3,658)
<b>Net cashflow used in financing activities</b>		<b>(2,439)</b>	(2,439)	(3,658)
<b>Decrease in cash and cash equivalents</b>		<b>(774)</b>	(2,566)	(1,483)
Cash and cash equivalents at the beginning of the period		13,143	14,626	14,626
<b>Cash and cash equivalents at the end of the period</b>	6	<b>12,369</b>	12,060	13,143

# NOTES TO THE INTERIM REPORT

## UNAUDITED RESULTS FOR THE SIX MONTHS TO 31 MARCH 2020

### 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 2020 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 2019 annual report and financial statements.

The financial information for the six months to 31 March 2020 and the comparative financial information for the six months to 31 March 2019 have not been audited. The comparative financial information for the year ended 30 September 2019 has been extracted from the 2019 annual report and financial statements.

The annual report and financial statements for the year ended 30 September 2019, which were approved by the Board of Directors on 9 December 2019, 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 2020.

### 3. Tax charge on profit on ordinary activities

The estimated tax rate for the year of 14% has been applied to the half year's profit before tax, in accordance with the Auditing Standards Board'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 2020 and 2019

	Earnings 31 March 2020 £'000	Weighted average number of shares 31 March 2020 Thousands	EPS 31 March 2020 Pence	Earnings 31 March 2019 £'000	Weighted average number of shares 31 March 2019 Thousands	EPS 31 March 2019 Pence
Profit on ordinary activities after tax	394	16,044	2.5	1,190	16,044	7.4
Basic EPS	394	16,044	2.5	1,190	16,044	7.4



#### 4. Earnings per share continued

##### For the six months to 31 March 2020 and 2019 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 2020 £'000	Weighted average number of shares 31 March 2020 Thousands	EPS 31 March 2020 Pence	Earnings 31 March 2019 £'000	Weighted average number of shares 31 March 2019 Thousands	EPS 31 March 2019 Pence
Profit on ordinary activities after tax	394	16,044	2.5	1,190	16,044	7.4
Weighted average number of shares under option	—	—	—	—	—	—
Diluted EPS	394	16,044	2.5	1,190	16,044	7.4

##### For the year to 30 September 2019

	Earnings 30 September 2019 £'000	Weighted average number of shares 30 September 2019 Thousands	EPS 30 September 2019 Pence
Profit on ordinary activities after tax	2,691	16,044	16.8
Basic EPS	2,691	16,044	16.8

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

	Earnings 30 September 2019 £'000	Weighted average number of shares 30 September 2019 Thousands	EPS 30 September 2019 Pence
Profit on ordinary activities after tax	2,691	16,044	16.8
Weighted average number of shares under option	—	—	—
Diluted EPS	2,691	16,044	16.8

## NOTES TO THE INTERIM REPORT CONTINUED

### UNAUDITED RESULTS FOR THE SIX MONTHS TO 31 MARCH 2020

#### 5. Dividends

As explained above, and 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 (2019: 7.6p). The table below reflects historic dividend payments.

	Six months to 31 March 2020 Unaudited £'000	Six months to 31 March 2019 Unaudited £'000	Year to 30 September 2019 Audited £'000
<b>Ordinary dividends on equity shares</b>			
Final dividend of 15.2p per ordinary share paid on 22 February 2019	—	2,439	2,439
Interim dividend of 7.6p per ordinary share paid on 19 July 2019	—	—	1,219
Final dividend of 15.2p per ordinary share paid on 7 February 2020	<b>2,439</b>	—	—
	<b>2,439</b>	2,439	3,658

#### 6. Cash and cash equivalents

	Six months to 31 March 2020 Unaudited £'000	Six months to 31 March 2019 Unaudited £'000	Year to 30 September 2019 Audited £'000
Cash at bank and in hand	<b>12,369</b>	12,060	13,143

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

	Six months to 31 March 2020 Unaudited £'000	Six months to 31 March 2019 Unaudited £'000	Year to 30 September 2019 Audited £'000
Cash at bank and in hand	<b>9,839</b>	5,991	7,351
Short term deposits	<b>2,530</b>	6,069	5,792
	<b>12,369</b>	12,060	13,143

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 2020 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 2020.

The fair value of cash and cash equivalents is £12.4m (2019: £12.1m).

#### 7. 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](http://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  
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### Registered office

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03881244

### Stockbroker and nominated adviser

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London  
EC2N 2AX

### Registrars

#### Computershare Investor Services PLC

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### Auditor

#### Ernst & Young LLP

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Newcastle-upon-Tyne  
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#### Barclays Bank plc

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#### Handelsbanken

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#### Santander Corporate Banking

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#### Yorkshire Bank

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