RNS Final Results

FINAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

ZYTRONIC PLC

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Zytronic plc
("Zytronic" or the "Company"
and, together with its subsidiaries, the "Group")

Final Results for the year ended 30 September 2022 (audited)

Zytronic plc, a leading specialist manufacturer of touch sensors, announces its audited full year results for the period ended 30 September 2022 ("FY22"). Comparative data is provided for the year ended 30 September 2021 ("FY21").

Overview

- Increase in revenues to £12.3m (2021: £11.7m)
- Gross margin improved to 30.5% (2021: 30.3%) despite increased costs of manufacture, as a result of a positive change in product mix
- Gaming revenues increased 62% to £4.7m, Vending increased 39% to £3.6m, offset by a 59% reduction in Financial to £1.2m
- Volume increase in sale of large (> 30" diagonal) sensors of 70% to 13k units, multi-touch technology sensors of 44% to 18.5k units, and curved format sensors of 97% to 7k units

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- Continuing profitability with EBITDA of £1.5m (2021: £1.4m) and profit before tax of £0.7m (2021: £0.5m)
- Basic earnings per share increased by 87% to 5.6p (2021: 3.0p)
- Proposed final dividend of 2.2p (2021: 1.5p), a 47% increase on the prior year
- Share buyback programme returned a further £2.0m of surplus cash and cancelled 1.3m shares
- Closing net cash of £6.4m (2021: £9.2m)

Commenting on the outlook, Acting Executive Chair, Mark Cambridge said:

"Whilst supply chain issues persist equally for Zytronic and its customer markets, and average order intake for the first two months is running at a level similar to the second half of the prior year, we are encouraged by the full return of our key face to face global business development and marketing. These activities provide the basis for progress, as we continue to accelerate the rebuilding of the opportunities pipeline."

Enquiries:

Zytronic plc **Mark Cambridge, Chief Executive** **Claire Smith, Group Finance Director**	**(0191 414 5511)**
Singer Capital Markets (Nominated Adviser & Broker) **Aubrey Powell, Alex Bond**	**(020 7496 3000)**

A copy of this announcement can be found on the Group's website as detailed below. The Annual Report and Accounts for FY22 will be made available on the website and posted to shareholders who have requested a hard copy in late January. A further announcement will be made in this regard and also to confirm posting of the Group's notice of Annual General Meeting.

Notes to Editors

Zytronic is a world-renowned developer and manufacturer of a unique range of internationally award-winning optically transparent interactive touch sensor overlay products for use with electronic displays in industrial, self-service and public access equipment.

Zytronic's products employ a sensing solution that is readily configurable and is embedded in a laminate core which offers significant durability, environmental stability and optical enhancement benefits to meet systems-specific design requirements.

Zytronic has continually developed process and technological know-how and IP since the late 1990's around two sensing methodologies; the first being single-touch self-capacitive which Zytronic markets as PCT™ ("Projected Capacitive Technology") and the second being multi-touch, multi-user mutual-capacitive which Zytronic markets as MPCT™ ("Mutual Projected Capacitive Technology"), in which Zytronic holds 12 internationally granted patents.

Zytronic operates from a single site near Newcastle-upon-Tyne in the United Kingdom, providing its manufactured products globally through a number of sales channel partners. Zytronic is relatively unique in the touch eco-system as it offers a complete one-stop solution including processing internally of the form and factor of the glass and film substrates, the assembly of the associated touch overlay products, in environmentally controlled cleanrooms to customers' specific requirements and the development of the bespoke firmware, software and electronic hardware which links the manufactured touch interactive overlays to customer's integrated systems and product.

For more information about the Group's technologies and products please see www.zytronic.co.uk and for information about the Group, please see https://www.zytronicplc.com,

Introduction

On behalf of the Zytronic plc Board, I would like to thank all UK and internationally based employees for their efforts in realising an improvement in the reported trading performance of the Group for the year ended 30 September 2022, during another year of unpredictability in underlying global supply chains and revenue generating markets in which the Zytronic business operates.

Results

The detailed results and commentary for the year are presented in the operational and financial reviews that follow, but the salient points are that the Group produced a profit before tax of £0.7m (2021: £0.5m) on revenues of £12.3m (2021: £11.7m) and a gross margin of 30.5% (2021: 30.3%). This, combined with a 13% corporation tax rate for the year and the lower weighted average number of shares in issue (due to the tender offer and buyback programmes in FY21 and FY22, as detailed in the financial review), has resulted in an increase in the earnings per share to 5.6p (2021: 3.0p).

Whilst sales for the year showed a solid 5.6% improvement over last year, the revenue increases in two of our key markets, being 62% in Gaming and 39% in Vending, were countered by the 59% reduction in Financial. The weighting of sales this year was 48% and 52% across the first and second halves respectively. This is much closer to the historic norm than the pattern in FY21, which was 59% H2-weighted reflecting the release of pent-up demand in markets such as Gaming after the initial easing of COVID-19 lockdown measures.

Current trading

The first two months of the new fiscal year have continued to be affected by the same global supply chain considerations that were described in the trading update issued on 18 August 2022. The average monthly order intake is at levels similar to those of the second half of FY22 and therefore lower than the same period in FY21. The Board maintains the opinion that this is also being impacted by the more than two years of postponed face-to-face business development and marketing activities due to the pro-longed global impact of COVID-19. Encouragingly, those global activities have now resumed to pre-pandemic levels, which is observable in the improved volume and value of opportunities in our pipeline log.

Statement of financial position

The cash position at the year-end remains strong at £6.4m (2021: £9.2m) providing the basis for stability. In the year, working capital increased by £1.4m, impacted by the

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necessary increase in raw material stocks undertaken to mitigate various supply chain issues, particularly in support of our customer supplied electronic touch controllers, and increases in debtors at the year end. £0.5m was spent on investing activities (2021: £0.3m) and £2.2m in financing activities, being the on-market share buybacks of £2.0m and the £0.2m payment of the FY21 final dividend (2021: £6.7m, £6.7m and £Nil).

Return to shareholders / dividend

In February 2022 the Board decided it was in shareholders' interests to continue to use our previously identified surplus cash balances to undertake on-market share buybacks, utilising pre-existing authority and that additionally granted at the 2022 AGM. Consequently, a total of 1,257,415 Ordinary shares were repurchased and cancelled by the Company at a weighted average share price of 161p. The resultant closing shares in issue at the year-end were 10,161,737.

As the Group has achieved an improved profitability over the year the Board has decided to recommend to shareholders a final dividend of 2.2p per share (2021: 1.5p), payable on 24 February 2023 to shareholders on the Register on 10 February 2023.

Board changes and corporate governance

As announced in last year's Chair's statement, Tudor Davies stepped down from his position at the conclusion of the 3 March 2022 AGM, after serving ten years as Chair of the Company, at which point David Buffham was appointed as the new Non-executive Chair. On 4 March 2022, after an extensive search, Mark Butcher joined the Company as an independent Non-executive Director ("INED").

In early October 2022, David Buffham informed the Company of a medical issue and requested a temporary leave of absence, which by the end of the month had unfortunately resulted in his formal retirement as a Director (including as Chair) on the grounds of ill health. We wish David the best in his recovery and take the opportunity to express the Boards gratitude for his tenure, formerly as an INED and Chair of sub-committees and latterly as Chair of the Company.

To maintain stewardship, continuity of leadership and corporate governance at the time of David's temporary (and then permanent) leave of absence, the Board considered the appropriate interim course of action, being that I should relinquish my position as CEO and take up the new position of Acting Executive Chair. This enabled Mark Butcher to continue to Chair the Board's sub-committees independently. During this period, to maintain an appropriate level of independent influence, should there be situations regarding a decision on which the Board was not unanimously agreed, then Mark Butcher as INED would carry the casting vote, with one of the Executive Directors abstaining. This decision remains in force whilst the Company undertakes the recruitment and appointment of at least one new INED to reconfigure the Board and comply with the QCA Corporate Governance Code.

Outlook

Whilst supply chain issues persist equally for Zytronic and its customer markets, and average order intake for the first two months is running at a level similar to the second half of the prior year, we are encouraged by the full return of our key face to face global business development and marketing. These activities provide the basis for progress, as we continue to accelerate the rebuilding of the opportunities pipeline.

Mark Cambridge
Acting Executive Chair
12 December 2022

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Performance / business activity

Total sales revenues for the year of £12.3m were 5.6% greater than the £11.7m of FY21. Order intake over the year matched revenues at £12.3m, which represented a 2% increase over the £12.1m of FY21. Revenues generated over the year continue to show the historical norm of a stronger second half performance against first half, being H1 of £5.9m against H2 of £6.4m. This weighting is less pronounced than that observed in FY21 (H1: £4.8m; H2: £6.9m), as the second half of FY21 saw the resumption of delayed Gaming demand, in particular after the easing of previous periods of COVID-19 lockdowns. The much improved first half order intake of £7.4m was contrary to normal weighting across the two halves of the financial year, as customers placed longer visibility purchase orders to mitigate supply chain risk for scheduled second half output, being 33% higher than the £4.9m order intake in the second half of the year.

A number of factors influenced the degree of variation over the year. The recognised and well-documented issues in global electronic component supply chains, which have gone well-beyond just those of reported issues with semiconductors still remain challenging, for sales into all regions. The global effects of the Omicron variants of COVID-19, which particularly impacted the critical business development lead generation processes and face-to-face marketing efforts, continued well into the second half of the fiscal year and in some instances into the start of the current fiscal year. The Russian war in Ukraine has particularly affected our non-touch electromechanical interference shielding products, due to their export dual-use status and therefore potential military use in Russia, and also several future opportunities in encrypted touch for our application partner.

Of our major contributory markets, both Gaming and Vending showed considerable growth in revenues against FY21, being somewhat offset by the decline in our Financial market revenues across the comparative period. This was also reflected in our export revenues as we observed a year-on-year 32% increase in revenues to Asia, as Gaming increased, offsetting the observed 24% decline in revenues to Europe as Financial sales decreased.

Market	2022	2021
Gaming	£4.7m	£2.9m
Vending	£3.6m	£2.6m
Industrial	£1.6m	£1.6m
Financial	£1.2m	£2.9m
Signage	£0.6m	£0.7m
Other	£0.6m	£1.0m
Total	£12.3m	£11.7m

Gaming

Our products sold into the Gaming market have continued to show a reasonable recovery from the pandemic, which is reflected in the doubling of sales to our primary display integrator customers based in South Korea. In turn these have benefited from a resumption of OEM unit builds in our primary deployment market of Las Vegas. However, the effects of the pandemic are still being experienced, evidenced by the lack of new cabinet design innovation observed at the latest October 2022 Global Gaming Expo ("G2E"), although discussions and indicators point towards 2023 being a trigger point for the OEMs to commence new design work, in preparation for product launches post G2E in late autumn 2023.

Vending

Sales of our products to the Vending market have also shown reasonable year-on-year growth, albeit slightly skewed to the first half this year. Revenue growth has mainly been generated from the US, as well as France and Spain, in FY22. The primary performance driver is an increase in unit sales to a US-based display system integrator for a brand-independent OEM drinks fountain manufacturer. France and Spain both benefited from volume increases to regional electric vehicle public charging station OEMs, an application area which presently remains regionally fragmented.

Industrial

Sales of products to the Industrial market, which are generally associated with machine control interfaces and informational kiosks, have shown little year-on-year variance; however, geographically we observed a doubling of revenues from the UK and Americas, offset by an equal aggregate decline in Europe and the Asia Pacific region ("APAC").

Financial

Product sales to the Financial market, which historically up until FY21 has been one of our top two revenue-generating markets and dominated by ATM products, has now achieved a maintenance level of revenue generation with our primary market customers as previously indicated. A number of factors have influenced this position, but the main factor is that the latest ATM platforms to market are no longer utilising Zytronic products. We continue to interface with customers in this market, either directly or in partnership for our encrypted touch solution, of which we had been very hopeful of seeing our partners product to market this year, prior to the Russian war in Ukraine.

Signage

Sales of products to the Signage market, which comprise non-transactional informational systems, and tables, remained fairly consistent year-on-year, with small improvements observed in UK and APAC sales, offset by a more significant drop in US sales as the deployment of smart cities street furniture has declined during the pandemic years.

Other

Sales of products to our combined Other general category, including smaller individual markets such as Healthcare, Home Automation, Industrial Telematics and Military, and others, also exhibited lower year-on-year revenue generation. This drop in comparative performance is largely associated with the revenues observed from a Singaporean medical OEM during the pandemic height, which has not been repeated during FY22.

In total across all markets, 60k touch sensor units have been supplied in FY22, compared to 76.5k units in FY21. As Gaming returned, we realised a better mix shift to larger unit sizes (>30" diagonal) with a 70% volume improvement to 13k, countered by a 43% drop to 17.5k in the small (<14.9" diagonal) size range and a 23% drop to 29.5k in the medium (15 - 29.9" diagonal) size range. Along with an improvement in larger sizes, we also saw a 44% improvement in the volume of our MPCT™ sensors supplied to 18.5k units and a 97% improvement in the volume of curved and shaped touch sensors to 7k units.

The observed electronic component shortage issues, which went well beyond the reported semiconductor supply issues, resulted in the R&D team spending a significant amount of resource identifying, approving, and re-designing our families of electronic controllers, on an almost constant basis over the course of the year. We anticipate that this is a situation that is likely not to ease until the middle of calendar year 2023 at the earliest.

New product development/opportunities

Major R&D projects which have been worked on over the course of FY22 include:

- the formal product launch of the ZyBrid®edge zero border touch sensor at the Barcelona ISE Expo in May 2022;
- demonstrator design concepts for ElectroglaZ™ solutions, including a conceptual high end Hi-Fi unit, for the October 2022 Frankfurt Light + Building Expo;
- developments around the independent powering of low voltage items and associated communication data transfer, like mechanical buttons, LED lighting and mobile phone chargers, by the utilisation of the same micro filament

structures that form the basis of our touch technology, for the October 2022 Las Vegas Global Gaming Expo;

- glass processing and novel structures, to create localised enhanced areas in conjunction with our touch technology to provide static tactile feedback, such as touch buttons; and
- a second jointing laser for siting within the main factory cleanroom to provide risk mitigation and comparable production capabilities across the site, which is expected to be fully operational in early 2023.

Intellectual property

Some of the work around novel glass structures and their interaction with our touch technology has resulted in a further patent application being made in the year, relating to a non-mechanical touch sensing button, titled "An interactive device". Three further international patents have also been granted during the year, GB2576674, titled "User preference indication", US11,392,215, titled "Button Supply", and EP2856294, titled "Non-planar touch panel production method", taking the total of internationally granted patents within our portfolio to twelve, with a further twelve still at either application or pending examination stages.

Business development activity

As we entered FY22, we were fully expectant of a resumption of our pre-pandemic business development and marketing practices by early January 2022. Unfortunately, the global surge in the two Omicron variants of COVID-19 put the timing of physically addressing our global markets significantly backwards. The European Gaming show, ICE, was cancelled in January, only to be re-confirmed for Easter, consequently with a very poor attendee and exhibitor turn-out, whilst the ISE Expo was moved from its original first week of February slot to mid-May, and the Light + Building Expo was moved from early March to early October. However, we were still able to maintain a modest presence at the Global Gaming Expo in October 2021, Touch Taiwan in May 2022, and Digital Signage Japan in June 2022 through our internationally based employees. In conjunction with our German channel partner, we also undertook active participation at Embedded World in June and InnoTrans in September 2022.

During the year, with a return of an ever-increasing calendar of tradeshow events as well as a continuation of the developed social media, digital content focus and written trade publications platforms, we strengthened the internal team with the appointment of a marketing specialist. Consequently, a review of our present and potential future marketing strategy is being undertaken. Details of all relevant news from customer testimonials, to thought pieces, technology updates and event attendance, can be found on our operating company website at https://www.zytronic.co.uk/news/.

For a number of years now we have reported on the utilisation of our CRM system, to log and monitor leads and opportunities generated from a combination of tradeshow participation, direct business development, indirect channel partner engagement and application directed marketing campaigns. As a dynamic system, opportunities are either "Open", or "Closed". A Closed opportunity is either "Won", as it has moved from our CRM system to productive purchase order(s) (not sampling orders), or "Lost", being the point at which the potential customer has confirmed either it has lost its opportunity or it no longer has interest in pursuing a Zytronic solution, which can be for reasons of price, specification, capability, or opportunity duplication.

One simple way of looking at the dynamic changes in the data, is by assessing the levels of Open opportunities at month ends, in terms of the total quantity and associated total customer projected lifetime value ("CPLV"). What is clearly discernible is as COVID-19 impacted, and global lockdown protocols initiated from circa January 2020 onwards, how our inability to add new opportunities to the pipeline from that point, whilst existing opportunities Closed, meant that the pipeline of opportunities declined for a near two-year period, bottoming around late summer 2021.

It is from this point onwards as degrees of our previously impacted business development and marketing actions began the slow return to pre-pandemic activity levels through FY22, we see the evidence of the pipeline rebuild.

It should be noted that in the Zytronic addressable markets and position within the touch eco-system, the rate and timing of the maturation of opportunity conversion to Won status, has a well-reported historical average two-year timeframe, which is likely to still exist as the pipeline continues the rebuild.

As of 30 September 2022, there were 484 Open opportunities in our CRM system, with a CPLV of £59m (2021: 391 and £28m), and, of the two largest addressable markets, Vending applications accounted for 156 Open opportunities, with a CPLV of £33m, whilst Gaming accounted for 26 and £11m respectively. At the end of the year the log did not contain any ElectroglaZ™ Open opportunities as this time-point was prior to the Light + Building Expo.

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Organisational adaptation

In the 2020 and 2021 reviews, comment was made regarding the significant restructuring that was undertaken to match the business conditions that prevailed at that time. However, as those conditions started to show evidence of improvement over the year, as well as increasing the productive labour workforce and the strengthening of marketing support, we have also added to electronics engineering and software development in the R&D department and latterly to sales with the appointment of a US West Coast-based Business Development Manager (appointed on 1 October 2022), as well as considerations around changes to working practices across the whole business to improve both retention and recruitment.

Skills gaps and recruitment of productive labour continue to prove generally problematic in the manufacturing sector. Our Operations department therefore took an active part in July 2022 in the MAKE UK (The Manufacturers' Organisation) inaugural National Manufacturing Day, as part of a UK-wide open house, to provide a better understanding of the diversity of opportunities in the manufacturing sector, to illustrate for the education community the benefit and application of STEM within a workplace and to foster local community interaction and relationships, with an overarching remit to help in the recruitment process for businesses.

Post the event, the Group successfully recruited one of the local attendees and has continued to multi-skill the productive labour force to provide resilience to the changing business needs.

Mark Cambridge
Acting Executive Chair
12 December 2022

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The 2022 financial year has been another year of continued progression, despite the continuing impacts of the COVID-19 pandemic and the associated global lockdowns continuing to affect the operations of the Group, as well as strong macro-economic headwinds and industry-wide electronic component shortages. Zytronic achieved another year of EBITDA growth, albeit a modest increase to £1.5m compared to that of the prior year of £1.4m, and an increase in profit before tax of £0.2m to £0.7m (2021: £0.5m). The continued strong cash position will allow the Group to further invest in opportunities to deliver future growth.

Group revenue

It is pleasing to report that Group revenue has increased by 5.6% over the year to £12.3m (2021: £11.7m), with recovery being observed in the Gaming and Vending markets in particular, offsetting the expected and well-documented decline in the Financial market. The Gaming market, with revenues of £4.7m, accounted for 38% of overall Group revenue whilst Vending revenues of £3.6m accounted for 29%. The Financial market, which was for a number of years the Group's biggest revenue generator, displayed revenues of £1.2m, accounting for only 10% of overall sales. The Group continues to work closely with its key customers and potential customers on new opportunities for future revenue growth.

Gross margin

Reported gross margin for the year improved marginally to 30.5% (2021: 30.3%) with a number of factors influencing this closing position:

- increased sales of the larger format, bespoke sensors over the year, in particular into the Gaming market, brought margin benefits;
- the Group was not exposed to the significant price rises in utility costs over the year as its strategy of purchasing the commodities ahead mitigated against this;
- the well-highlighted semiconductor shortages had a negative impact on the cost of materials to the Group, as the sourcing of those came at a higher cost than in previous times. There were also a number of other raw material price rises over the period as suppliers were impacted by their own procurement issues and rising utility costs, subsequently negatively impacting gross margin;
- in October 2018, the Group negotiated an 18-month pay award with its employees taking it through to April 2020. However, as the pandemic started to impact, the decision was made not to enter into pay negotiations over this period. Subsequently, in April 2022, the Group was conscious of this prolonged situation and negotiated an agreeable and deserved pay award to all its employees for the

benefit of maintaining retention, but at the same time increasing the costs of production;

- the recruitment of additive production personnel was a challenge over the year and, the ability to source willing labour was problematic and ultimately impacted on costs. Feedback received on this matter from our manufacturing peer group was consistent with the Group's situation; and
- commissions payable over the year was higher as revenues generated through channel partners increased, particularly in Gaming.

Profit before tax

Profit before tax over FY22 increased to £0.7m (2021: £0.5m) due to the improvements in gross profit and savings achieved in administration costs. Administration costs were reduced by £0.1m over the year, but are expected to increase over the coming year as the business continues with its essential face-to-face prospecting activities. The FY22 figure also benefited from a reduction in professional fees compared to the prior year, as the costs of the successful capital reduction exercise and return of surplus cash to shareholders were higher previously. As with the direct workforce, administration staff were also remunerated for their continued efforts in the year. The Group continues to be mindful of the current political situation and the rising costs of living for all employees and would expect that these considerations will have an impact going forward.

Tax

The Group continues to utilise all available reliefs, which have a positive impact on the rate of tax it pays. The effective tax rate for the year is 13% and £0.1m (2021: 10%, < £0.1m). The UK government has increased the rate of corporation tax from 1 April 2023 to 25% from 19% and the Group expects its effective tax rate to therefore increase over the medium term.

Earnings per share

The ordinary shares in issue at the start of the year of 11,419,152 were further reduced over the period as the Group undertook a share buyback programme under the authorities obtained at the two prior Annual General Meetings in order to return the surplus cash. This programme proved to be successful with the Group purchasing 1,257,415 shares in the period at a weighted average price of 161p and returning £2.0m of cash to shareholders. The resultant number of shares in issue at the year-end are 10,161,737.

With profits after tax of £0.6m arising, this has generated an EPS of 5.6p (2021: 3.0p).

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Dividend

Following a return to profitability in FY21 the Group declared a final dividend of 1.5p (2020: £Nil) costing £0.2m. With another year of increased profitability, the Group has again proposed to continue to pay a final dividend this year of 2.2p, costing £0.2m and an increase of 47% over the prior year. Subject to shareholder approval, this will be paid on Friday 24 February 2023 to those on the Register as at close of business on Friday 10 February 2023.

Capital expenditure

Investment in capital expenditure, particularly in R&D development, is a key enabler in the future success of the Group. This was improved upon in FY22 with £0.5m being incurred in combined costs of tangible and intangible assets (2021: £0.3m). The R&D department continued its work in investments in patents, with another new patent being applied for, and it was also active in a number of other key development areas as described in the Operational review. During the second half of the year the Group commenced investment in a new ERP system implementation, which will enable it to have access to more production data. This will continue into the year ahead. There was also spend on other replacement and additive assets over the year. Depreciation and amortisation reduced slightly over FY22 to £0.8m (2021: £1.0m), which has been impacted by the lower investment over the previous two reporting periods, due to uncertainty arising around COVID-19.

Cash position

Cash at the beginning of the year was £9.2m and closed at £6.4m, with the biggest cash expense being the share buyback exercise as described earlier, which reduced the cash position by £2.0m. Working capital, as the Group had expected, increased over the period due to both the increase in stocks of £0.7m and debtors of £0.8m. Stocks were increased over FY22 as commitments to secure more electronic control board stock were made as the world responded to a supply shortage of various electronic components, particularly semiconductors. The supply of adhesives and hardcoat polyester film, which was a problem in the previous two years, returned to more normal levels but, also contributed to increasing stock over the period. The Group also observed price rises across several key raw materials, increasing the valuation of its holding at the year-end.

The increase to debtors at the year-end was in the main due to an overdue debt from one particular slow paying debtor of £0.4m. The Group controlled this situation by postponing any further deliveries to the customer until the debt was recovered. The

Group, whilst frustrated with the customer, did not see the need to provide for this debt as it had complete confidence it would be repaid which proved to be correct. Aside from this one-off situation the Group has a very good history of cash collection which continued over the year, with no bad debts arising. What has been noted over the year is that there is a change in customer expectations for extended credit terms, most likely as a result of the pandemic, and contributing to the overall increase in working capital.

Cashflow used in investing activities was £0.5m (2021: £0.3m), wholly due to the costs of investment in capital expenditure. The Group also returned to paying dividends over the year at a cost of £0.2m (2021: £Nil).

The Group maintains its overdraft facility of up to £1.0m, which is available for use in any of its three currencies. The Group also has an FX policy in place whereby it is hedged in both US Dollars and Euros for a period of up to four months ahead to correspond with its working capital policies and currency requirements. Following the Bank of England's decision to increase the rates of interest, the Group is very active in ensuring it is maximising its interest earning potential, whilst continuing to meet the cashflow demands on the business.

The Group has no debt and, with strong cash levels, remains in a strong financial position for the year ahead.

Claire Smith
Group Finance Director
12 December 2022

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	Notes	**2022 £'000**	2021 £'000
Group revenue	3	**12,340**	11,683
Cost of sales		**(8,577)**	(8,146)
Gross profit		**3,763**	3,537
Distribution costs		**(258)**	(183)
Administration expenses		**(2,810)**	(2,901)
Group operating profit		**695**	453
Finance revenue		**10**	-
Profit before tax		**705**	453
Tax expense	4	**(94)**	(47)
Profit for the year		**611**	406
Other comprehensive income		-	-
Total comprehensive income		**611**	406
Earnings per share			
Basic	6	**5.6p**	3.0p

All activities are from continuing operations.

	Equity share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2020	160	8,994	-	13,911	23,065
Profit for the year	-	-	-	406	406
Repurchase and cancellation of shares	(46)	-	46	(6,706)	(6,706)
At 30 September 2021	114	8,994	46	7,611	16,765
Profit for the year	-	-	-	611	611
Repurchase and cancellation of shares	(12)	-	12	(2,019)	(2,019)
Dividends	-	-	-	(170)	(170)
At 30 September 2022	**102**	**8,994**	**58**	**6,033**	**15,187**

	Notes	**2022 £'000**	2021 £'000
Assets			
Non-current assets			
Intangible assets		**711**	733
Property, plant and equipment		**5,107**	5,370
		5,818	6,103
Current assets			
Inventories		**2,184**	1,435
Trade and other receivables		**2,957**	2,200
Cash and short term deposits		**6,403**	9,157
		11,544	12,792
Total assets		**17,362**	18,895
Equity and liabilities			
Current liabilities			
Trade and other payables		**1,055**	1,080
Derivative financial liabilities		**92**	16
Accruals		**560**	551
Government grants		**-**	26
Tax liabilities		**-**	121
		1,707	1,794
Non-current liabilities			
Deferred tax liabilities (net)		**468**	336
		468	336
Total liabilities		**2,175**	2,130
Net assets		**15,187**	16,765
Capital and reserves			
Equity share capital		**102**	114
Share premium		**8,994**	8,994
Capital redemption reserve		**58**	46
Retained earnings		**6,033**	7,611
Total equity		**15,187**	16,765

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	2022 £'000	2021 £'000
Operating activities		
Profit before tax	**705**	453
Finance income	**10**	-
Depreciation of property, plant and equipment	**543**	629
Amortisation and write-off of intangible assets	**223**	379
Amortisation of government grant	**(26)**	(1)
Fair value movement on foreign exchange forward contracts	**76**	16
Loss on disposal of asset	**2**	23
Working capital adjustments		
(Increase)/decrease in inventories	**(749)**	897
Increase in trade and other receivables	**(757)**	(433)
Increase in trade and other payables and provisions	**106**	85
Cash generated from operations	**133**	2,048
Tax (paid)/received	**(224)**	48
Net cashflow (used in)/from operating activities	**(91)**	2,096
Investing activities		
Interest received	**7**	-
Payments to acquire property, plant and equipment	**(280)**	(179)
Payments to acquire intangible assets	**(201)**	(92)
Net cashflow used in investing activities	**(474)**	(271)
Financing activities		
Dividends paid to equity shareholders of the Parent	**(170)**	-
Repurchase and cancellation of shares	**(2,019)**	(6,706)
Net cashflow used in financing activities	**(2,189)**	(6,706)
Decrease in cash and cash equivalents	**(2,754)**	(4,881)
Cash and cash equivalents at the beginning of the year	**9,157**	14,038
Cash and cash equivalents at the year end	**6,403**	9,157

1. Basis of preparation

The preliminary results for the year ended 30 September 2022 have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") as endorsed by the European Union regulations as they apply to the financial statements of the Group for the year ended 30 September 2022. Whilst the financial information included in this preliminary announcement has been computed in accordance with the recognition and measurement requirements of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The accounting policies adopted are consistent with those of the previous year.

The financial information set out in this announcement does not constitute the statutory accounts for the Group within the meaning of Section 435 of the Companies Act 2006. The statutory accounts for the year ended 30 September 2021 have been filed with the Registrar of Companies. The statutory accounts for the year ended 30 September 2022 will be filed in due course. The auditors' report on these accounts was not qualified or modified and did not contain any statement under sections 498(2) or (3) of the Companies Act 2006 or any preceding legislation.

Each of the Directors confirms that, to the best of their knowledge, the financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and the Group results, Operational review and Financial review includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

2. Basis of consolidation and goodwill

The Group results comprise the financial statements of Zytronic plc and its subsidiaries as at 30 September each year. They are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

3. Group revenue and segmental analysis

Revenue represents the invoiced amount of goods sold and services provided, stated net of value-added tax, rebates and discounts.

For management purposes, the Chief Operating Decision Maker (the Board) considers that it has a single business unit comprising the development and manufacture of customised optical filters to enhance electronic display performance. All revenue, profits or losses before tax and net assets are attributable to this single reportable business segment.

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The Board monitors the operating results of its entire business for the purposes of making decisions about resource allocation and performance assessment. Business performance is evaluated based on operating profits.

All manufacturing takes place in the UK and accordingly all segment assets are located in the UK. The analysis of segment revenue by geographical area based on the location of customers is given below:

	30 September 2022 Touch £'000	**30 September 2022 Non-touch £'000**	30 September 2021 Touch £'000	30 September 2021 Non-touch £'000
Sale of goods				
- Americas (excluding USA)	**322**	**15**	273	13
USA	**2,015**	**191**	1,683	183
- EMEA (excluding UK and Hungary)	**3,153**	**58**	3,658	220
- Hungary	**251**	**187**	757	165
- UK	**339**	**314**	233	257
- APAC (excluding South Korea)	**283**	**254**	1,230	299
- South Korea	**4,586**	**372**	2,544	168
	10,949	**1,391**	10,378	1,305
Total revenue	**12,340**		11,683	

Individual revenues from two major customers exceeded 10% of total revenue for the year. The total amount of revenue was £4.1m (2021: £2.3m).

The individual revenues from each of these two customers were: £2.4m (2021: £1.3m) and £1.7m (2021: £1.0m).

4. Tax

	30 September 2022 £'000	30 September 2021 £'000
Current tax		
UK corporation tax	**40**	122
Tax due on foreign subsidiary	**-**	1
Corporation tax (over)/under provided in prior years	**(79)**	70
Total current tax (credit)/charge	**(39)**	193
Deferred tax		

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Origination and reversal of temporary differences	**(24)**	(106)
Movement related to change in tax rates	**43**	26
Movement related to prior year adjustments	**114**	(66)
Total deferred tax charge/(credit)	**133**	(146)
Tax charge in the statement of comprehensive income	**94**	47

Reconciliation of the total tax charge

The effective tax rate of the tax charge in the statement of comprehensive income for the year is 13% (2021: 10%) compared with the average rate of corporation tax charge in the UK of 19% (2021: 19%). The differences are reconciled below:

	30 September 2022 £'000	30 September 2021 £'000
Accounting profit before tax	**705**	453
Accounting profit multiplied by the average UK rate of corporation tax of 19% (2021: 19%)	**134**	86
Effects of:		
Expenses not deductible for tax purposes	**(4)**	19
Depreciation in respect of non-qualifying items	**18**	19
Enhanced tax reliefs - R&D and patent box	**(99)**	(100)
Enhanced tax reliefs - super deduction	**(27)**	-
Effect of deferred tax rate reduction and difference in tax rates	**37**	18
Tax under-provided in prior years	**35**	4
Tax due on foreign subsidiary	**-**	1
Total tax expense reported in the statement of comprehensive income	**94**	47

Factors that may affect future tax charges

The main rate of corporation tax has remained at 19% throughout the period ended 30 September 2022. An increase in the main rate of corporation tax to 25% was enacted prior to the year end. This is applicable from 1 April 2023, and therefore the Group has considered the timing of the unwind of its deferred tax and has calculated its deferred tax balances at the rates at which they are expected to unwind. This has resulted in a rate of 25% being applied to deferred tax balances at the year end. As a result of the impending increase in the main rate of corporation tax, the Group expects its effective tax rate to increase in the medium term.

The Patent Box regime allows companies to apply a rate of corporation tax of 10% to profits earned from patented inventions and similar intellectual property. Zytronic generates such profits from the sale of products incorporating patented components. The Group has determined that all relevant criteria has been satisfied for bringing income within the regime. While the loss-making position of the Group in 2020 meant that there was no benefit from the regime in 2020 and 2021, the Group will continue to make Patent Box claims and expects to obtain tax deductions from such claims from 2022 onwards.

5. Dividends

The Directors propose the payment of a final dividend of 2.2p per ordinary share for this year's results. This will bring the total dividend for the year to 2.2p (2021: 1.5p).

	30 September 2022 £'000	30 September 2021 £'000
Ordinary dividends on equity shares		
Final dividend of 1.5p per ordinary share paid on 18 March 2022	**170**	–
	170	–

6. 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 year. All activities are continuing operations and therefore there is no difference between EPS arising from total operations and EPS arising from continuing operations.

	Profit 30 September 2022 £'000	**Weighted average number of shares 30 September 2022 Thousands**	**EPS 30 September 2022 Pence**	Profit 30 September 2021 £'000	Weighted average number of shares 30 September 2021 Thousands	EPS 30 September 2021 Pence
Profit on ordinary activities after tax	**611**	**10,836**	**5.6**	406	13,346	3.0
Basic EPS	**611**	**10,836**	**5.6**	406	13,346	3.0

There are no dilutive or potentially dilutive instruments.

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7. 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 to all shareholders. This was approved by shareholders on 25 February 2021. As a result, 4,624,889 shares were purchased on 26 February 2021 and subsequently cancelled by the Company at a price of 145p per share, returning £6.7m of the Company's cash to participating shareholders.

On 17 February 2022, the Company announced a further proposed return of capital via a share buyback programme under the authorities obtained at the Company's AGM and Tender Offer General Meeting, both held on 25 February 2021. The Company obtained further authorities to continue to undertake this at its AGM held on 3 March 2022. This action was successfully concluded on 25 May 2022, with a total of 1,257,415 shares having been purchased in aggregate, at a volume weighted average price of 161p per share, returning £2.0m of the Company's cash.

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