Zytronic PLC - ZYT

Preliminary Results

Released 07:00 08-Dec-2015

RNS Number : 2799I

Zytronic PLC

08 December 2015

8 December 2015

Zytronic plc

("Zytronic" or the "Group")

Preliminary Results for the year ended 30 September 2015 (audited)

Zytronic plc, a leading specialist manufacturer of touch sensors, announces its preliminary results for the year ended 30 September 2015.

Overview

§ Group revenue increased by 13% to £21.3m (2014: £18.9m)

§ Touch revenue accounted for 81% (2014: 79%) of Group revenue

§ Touch sensor units sold increased to 149,000 units (2014: 139,000 units)

§ Gross profit margin increased to 41.9% from 36.6% in 2014

§ Profit before tax increased by 39% to £4.5m (2014: £3.3m)

§ Basic earnings per share of 24.7p (2014: 19.6p) with diluted earnings per share of 24.3p (2014: 19.5p)

§ Net cash generated from operating activities of £4.9m (2014: £4.2m)

§ Net cash balances increased by £2.0m to £9.8m

§ Total dividend for the year increased by 20% to 12.0p (2014: 10.0p)

Commenting on the outlook, Chairman, Tudor Davies said:

"The year has started positively with maintained momentum and a continued drive to develop product functionality, expand the global sales footprint and a focus on increasing shareholder value."

Enquiries:

Zytronic plc	**(Today: 020 7496 3000;**
Mark Cambridge, Chief Executive	**Thereafter 0191 414 5511)**
Claire Smith, Group Finance Director	
N+1 Singer	**020 7496 3000**
(Nominated Advisor & Broker)	
Aubrey Powell	
Nick Owen	

Notes to Editors

Zytronic is the developer and manufacturer of a unique range of internationally award-winning and patented touch sensor products.

Zytronic's products employ an embedded sensing solution and are readily configurable to a system designer's specific requirement, offering significant durability, environmental stability and optical enhancement benefits to touch interactivity for industrial, self-service and public access equipment.

During 2012, Zytronic developed new know-how to create mutual projected capacitive technology ("MPCT™") which enables multi-user and multi-touch touch sensing in ultra-large form factor sizes up to 84".

Operating from three modern factories near Newcastle-upon-Tyne in the United Kingdom, Zytronic assembles touch sensors using special glass and plastic materials, in environmentally controlled cleanrooms.

Chairman's statement

We are pleased to announce a significantly improved set of results for the year ended 30 September 2015 with performance benefiting from both volume and revenue growth in the supply of our touch sensor products.

Results

Revenues for the year ended 30 September 2015 increased by 13% to £21.3m (2014: £18.9m); profit before tax increased by 39% to £4.5m (2013: £3.3m); and basic earnings per share increased by 26% to 24.7p (2014: 19.6p).

The significant improvement in performance this year has principally arisen from a 16% revenue growth in our proprietary touch sensor products to £17.3m (2014: £14.9m), which accounted for 81% (2014: 79%) of sales and was one of the main contributors to the improvement in gross profit margin from 36.6% to 41.9%.

As Mark Cambridge, our CEO, describes in his comprehensive Operational review, volumes of our touch sensors supplied in the year grew by 7%, notwithstanding the end of life effects in the first quarter of the year of projects in the telematics and fuel vend markets. In ultra large sensors greater than 30 inches, a key performance and growth target area for Zytronic, we experienced an approximate 50% increase in volume over the prior year, reflecting the benefit of work done in the further commercialisation of our patented mutual capacitive products and curved sensor solutions. Sales across our key growth sectors of financials, vending and gaming, where the unique capabilities and durability of our products is a prerequisite, all showed growth.

The Group continues to convert a high proportion of its profits into cash with cash generation from operating activities for the year ended 30 September 2015 being £4.9m (2014: £4.2m). We have continued our policy of further research and development, and capital equipment investments, with investment activities for the year totalling £1.3m (2014: £0.5m). Cash generation continues to support our progressive dividend policy with dividends paid during the year of £1.6m (2014: £1.4m).

Dividend

The Directors propose a final dividend of 8.87p (2014: 7.16p) payable on 11 March 2016 to shareholders on the Register on 26 February 2016, which increases the total dividend for the year by 20% to 12.01p (2014: 10.01p) at a total cost for the year to 30 September 2015 of £1.8m.

Outlook

The year has started positively with maintained momentum and a continued drive to develop product functionality and expand the global sales footprint. We continue the focus on increasing shareholder value and shall update shareholders on progress and material developments during the course of the coming year.

Tudor Davies BSc

Chairman

7 December 2015

2015 Operational review

The following operational review provides information on the sales and marketing, research and development and operational activities of the business during fiscal year 2015 and, except where otherwise indicated, draws comparisons with the previous year.

Overview

The 2015 fiscal year has shown significant improvement in trading over the previous year, continuing the historic trend of second half trading being better than the first.

Total 2015 revenues of £21.3m were stronger than those of 2014 by 13% (2014: £18.9m). Revenues generated by sales of touch products at £17.3m accounted for 81% (2014: 79%) of total revenues and were 16% higher than the prior year (2014: £14.9m). Revenues generated by sales of non-touch products of £4.0m (2014: £4.0m) were unchanged, even though the ATM product revenues, as expected, declined by £0.6m to £2.3m from the £2.9m of 2014.

In a similar fashion to last year, 2015 has benefited considerably from a higher level and better mix of touch product sales in the year, especially in the second half of 2015 as shipments of a curved 42-inch multi-touch sensor design began. This, together with management actions to maintain and improve cost control and production efficiencies during the year, resulted in a significantly higher gross margin of 41.9% (2014: 36.6%) and a resultant 39% increase in profit before tax to £4.5m (2014: £3.3m).

Sales

Zytronic continues to be heavily export focused, with £19.7m or 93% (2014: £17.6m, 94%) of revenues attributable to export sales.

The largest area of export growth was attributable to sales to the Asia Pacific ("APAC") region, which saw an increase in revenue of £2.0m to £6.1m. The region was significantly influenced by a £2.3m increase in South Korean revenues to £2.8m, mostly for supplies into the gaming market. Mainland China, which is driven in the main by ATM sales, accounted for £1.9m of total APAC revenues (2014: £1.9m). The most significant year-on-year reduction affecting APAC revenues was the end of life of an agricultural telematics project for an Australian customer, which significantly contributed to the £0.3m (50%) reduction in Australian revenues.

The EMEA region (Europe, Middle East and Africa, excluding the UK) remains by far Zytronic's largest export region at £8.9m or 45% of total exports (2014: £9.2m, 52%). The revenue decrease observed in this region is mainly attributed to the £0.5m reduction in non-touch product revenues in the financial market, across Germany, Hungary and the Netherlands. Other contributing factors were associated with the vending market with a fuel service payment terminal touch project in Benelux which concluded at the start of the second quarter of the year.

The Americas, significantly influenced by sales in the gaming market in 2014, exhibited total revenue growth in 2015 of nearly 10% to £4.7m, which accounts for 24% of total exports (2014: £4.3m, 24%). Gaming in the Americas during 2014 was predominantly driven by direct supply into Las Vegas-based equipment manufacturers for casino cabinet slots, which during the year reduced as some machines approached end of life and new designs were being developed, with a change in the resultant supply chain in 2015 through South Korea. The 2015 period has benefited from the substantial increase in the purchase of units through Canada for the Coca Cola® Freestyle™ drinks dispensing touch project, which was triggered by an end of life notification for the LCD unit used in the existing design.

ZYTRONIC

Revenues from UK sales grew in 2015 by 28% to £1.6m (2014: £1.2m). The main driver of growth was the work undertaken by Zytronic in providing ultra large format touch products to an interactive table manufacturer for the retail sector, and in particular a project for a car showroom deployment across a number of European outlets associated with the launch of a new car model.

2015 Operational review

Non-touch product sales

The non-touch product revenues of £4.0m (2014: £4.0m) were higher in the year than management's forecast. This has been mostly attributable to the £0.4m of revenues generated by the uptake of a curved non-touch display unit into APAC, used in the same design of casino cabinets as the touch sensor provided. In total, non-touch ATM product revenues (display filters (curved and flat), electronic noise filtering laminates, light diffusers and sundries) increased by £0.6m to £1.7m (2014: £1.1m). However, even though non-touch revenues did not in totality decrease against those of 2014 as expected, the revenues from the largest contributor of ATM display filter glasses did decline, contributing £2.3m compared with the £2.9m in 2014.

The following table provides details on the regional export split of non-touch revenues:

	2015		2014		Variance	
Export regions	Value £m	% export	Value £m	% export	Value £m	%
EMEA	2.1	62	2.3	67	(0.2)	(9)
APAC	1.1	32	0.9	26	0.2	22
Americas	0.2	6	0.3	7	(0.1)	(33)
Totals	3.4	100	3.5	100	(0.1)	(3)

Touch product sales

Touch revenues of £17.3m grew by 16% (£2.4m) over the £14.9m reported for 2014 and accounted for 81% of total revenues (2014: 79%). The total touch revenues comprise £15.0m for sensors (2014: £13.3m) and £2.3m for electronic controllers and componentry (2014: £1.6m).

ZYTRONIC

Touch export revenues in 2015 were £16.3m or 94% of the £17.3m of total touch revenues, which represents a £2.2m or 15% increase (2014: £14.1m, 95% of £14.9m). The split of regional export revenues is illustrated in the following table:

	2015		2014		Variance	
Export regions	Value £m	% export	Value £m	% export	Value £m	%
EMEA	6.8	42	6.9	49	(0.1)	(1)
APAC	5.0	31	3.2	23	1.8	56
Americas	4.5	27	4.0	28	0.5	13
Total	16.3	100	14.1	100	2.2	16

The total volume of sensor units sold increased by 10,000 units to 149,000 units (2014: 139,000). The mix of the volume of sensors sold by the key sensor size ranges is shown in the following table:

	2015		2014		Variance	
Sensor sizes	Units (thousands)	% total	Units (thousands)	% total	Units (thousands)	%
0 - 14.9"	42	28	46	33	(4)	(9)
15.0 - 29.9"	98	66	87	63	11	13
30.0" +	9	6	6	4	3	50
Total	149	100	139	100	10	7

Of the 9,000 units sold that were >30 inches in size 6,000 (67%) were of the higher functional performance mutual projected capacitance technology ("MPCT™") type.

Financial

The financial market continues to be our largest, accounting for £6.3m (2014: £5.7m) of revenues, and includes application uses such as ATMs, bill payment kiosks and financial point of information ("POI") kiosks. This market remains the strongest touch market area due to the unique durability, reliability and all-weather capabilities of our touch products and technologies, especially for unattended use and locations. The year started to see the benefit from a new platform launch by one of our major ATM customers, where Zytronic is providing multiple different sized touch sensors used in the same ATM machine. Consequently, this, coupled with a level of growth from existing designs, gave a total volume increase in ATM units.

2015 Operational review

As observed in 2014, we again experienced a reduction in financial type kiosks, partly countering the increase in the ATM volumes.

Vending

Vending maintains it ranking as the second largest touch market area for Zytronic in both revenue and volume, with revenue growth across all constituent applications of 24% to £3.7m (2014: £3.0m). There were two major factors that influenced the overall performance of this market during the year, the first being the positive uplift in the Coca Cola® project mentioned earlier, where the uplift in the volume of sensors sold was nearly double the units sold in 2014. However, this was countered by a volume and revenue reduction of sales across our fuel vend application area, which in the main had an effect on EMEA sales, as described earlier.

Industrial, gaming and healthcare

Sales into the industrial market for human machine interface ("HMI") control devices and general application kiosks were similar to those of 2014 at £2.0m (2014: £2.0m).

Significant growth in the year has been observed in the gaming market, which showed the highest percentage revenue growth of all Zytronic touch markets at 80%. In revenue terms the growth was £1.5m to £3.4m (2014: £1.9m). Approximately a third of all units supplied in the year were for a new curved 42-inch MPCT™ design, supplied into the market through a South Korean display integrator customer, replacing a flat designed PCT™ model to the same end market.

The healthcare market also exhibited sales growth in both revenue and volume, due in the main to sales to a Singaporean manufacturer of a blood analyser unit. Healthcare revenues increased to £0.4m from £0.3m.

Telematics, signage and home

We did experience a decline in revenues from the telematics and signage markets, the former being significantly influenced by the end of life of an agricultural GPS project which declined by £0.5m to £0.1m. Revenues from the signage market also declined by £0.2m (2014: £1.4m), as the mix of larger sized units supplied (>30 inches) decreased, whilst the total volume across all sizes increased by 6%.

The home market, which was solely influenced in 2015 by sales of the Bosch cooktop unit, also saw an increase and was in line with management expectations for the year.

R&D

The research and development team ("R&D") during the year have continued to concentrate on both product and process improvements.

At the beginning of the year, R&D concluded development and the subsequent production release of an improvement to the existing PCT™ controller, which in 2015 accounted for 96% of touch sensors produced (MPCT™: 4%). This new controller utilises a frequency hopping technique to tune into the least noisy frequency across a range of controlled frequencies for maximum performance.

The team also initiated development of a new MPCT™ controller for sensor sizes of <20 inches. This controller when coupled with a Zytronic MPCT™ sensor design will provide tablet-like performance for the harshest of environments for up to ten individual yet simultaneous touches. The development has the potential to drive performance and functional improvements into the 89% of the units <20 inches in size that Zytronic has produced during 2015. It is anticipated that a production release will occur early in 2016.

2015 Operational review

In combination with further developments of the MPCT™ controller electronics, R&D has initiated the design and development of a second Zytronic Application Specific Integrated Chip ("ASIC"), which will drive cost savings, performance improvements and PCB size reductions across the MPCT™ family of controllers. As this is a twelve to 18 month project, the above benefits will become realisable from 2017.

During the year, four of the six MPCT™ GB patent applications made in May 2012 were granted being: GB2502596, GB2502598, GB2502600 and GB2502602. The final two GB applications are still awaiting further examination.

Additional developments have been undertaken to improve material performance aspects of the sensors, being either PCT™ or MPCT™ designs, and include specialist anti-reflective coated materials to improve the optical performance of the touch sensors in high bright outdoor conditions as well as antimicrobial glass to aid in reducing the potential for the transmission of microbes from one user to another through the touch interaction process.

The underlying technology and physical nature of the hardware are two of the four key components that make up a touch solution, the other two being the firmware which resides within the processor on the electronics which translates the technology interaction to an output for the computer system, and the operating system driver, which translates the incoming output from the electronics to an interaction on the system display.

It is in the two latter key components where a considerable amount of the developed Zytronic IP resides, in both PCT™ and MPCT™. R&D's work on firmware improvements is continuous and ensures end use equipment compatibility, whilst software development is more ad-hoc as the type and requirements of the computer operating system ("OS"), such as Windows, Linux, Android and Mac are continually being changed and improved upon by their providers.

During the year, the engineers, have further improved the ZyConfig Tool, which is Zytronic's own developed software set-up, monitoring and diagnostic tool for compatibility with the OSs named above, with the aim of driving towards a single tool set which covers under one release, all OS. They have also during the year developed software that is tuned specifically for shape recognition rather than individual finger touches, as that level of functionality has also become a request for some flat surface interactive table applications, especially in retail and advertising markets.

Over the year the engineers have continued the firmware and software development work with Cryptera A/S, the globally renowned Danish encryption device design and manufacturing specialist, on CryptoTouch®, an encrypted touch solution for ATM and unattended transactional self-service payment markets.

During the year Zytronic has also partnered with a European Commission consortium group, comprising academic and industrial partners, under the European Horizons 2020 fund to evaluate and develop, over a three-year period, high resolution and small feature sized inkjet printing techniques for printed electronics. Zytronic's involvement is to determine the potential for a developed solution as a method for 2D printing of metallic fluids for touch sensors, as a means of complementing its present manufacturing processes.

Strategic initiatives

As a significantly export focused business, Zytronic has continued to evaluate its regional routes to market, looking to adapt and improve upon the flourishing development of the sales channel partnerships that it has around the world.

With the successful establishment in 2014 of the USA entity Zytronic Inc. in Atlanta, Georgia, a wholly owned subsidiary of Zytronic Displays Ltd, to offer on-the-ground and in-region technical support, the Group assessed the need to repeat the process in Asia. After a thorough evaluation, it was agreed that the primary effort across the Greater China Region should initially be focused towards business development and sales opportunity generation rather than technical support.

2015 Operational review

It was to this end that, in April 2015, Zytronic Displays Ltd opened up a representative office in Taipei, Taiwan, to service sales opportunity generation across Greater China, which includes mainland China, Macau, Hong Kong and Taiwan. To facilitate a quick deployment, Zytronic employed directly the key employee from its regional Taiwan partner, who had worked on its behalf on the Zytronic account for over five years and was therefore very familiar with the products offered.

From June 2015, Zytronic has also employed in Tokyo, Japan, a regional specialist sales consultancy organisation to further develop the Japanese market, through close collaboration with its existing sales channel partner, and to provide services and directly promote the Zytronic Japan entity.

Since inception, Zytronic has been well established as a glass touch sensor producer to the market, but has been aware of the developing need for smaller volumes of larger sized flexible plastic sensors, which can be adhered to in-field glass surfaces in less controlled environments. To continue to explore the market potential for these types of products, Zytronic has appointed a sales consultant with specific market and product knowledge to develop further its presence for this particular product type.

Unfortunately, the initiative in mainland China mentioned in the 2014 report, and referred to as FastTrack China, did not prove as successful as hoped, due to local initiative funding issues in China. This has resulted in FastTrack China drawing to a premature close.

The overall channel partner network has increased by a net one to 38 during 2015, with 14 agreements across the Americas, eleven agreements across APAC, twelve agreements across EMEA and one in the UK. The net change in the year has been attributable to the termination of two representatives in the USA, with their territories being covered either directly or through the extension of an existing representative and the appointment of three new partners, TouchMedia (Singapore), MPU (China) and Cloud Technologies (India). The increase in agreements does not fully represent the changing landscape as the number of active countries now covered has more significantly increased from 60 in 2014 to 70 in 2015 and includes Argentina, Brazil, the UAE, Vietnam, Indonesia, the Philippines, Cambodia, Laos and Myanmar. Some of this coverage has been as a consequence of widening the area of coverage of some of its established partners as well as adding new representatives.

Zytronic is continually evaluating its channel partner network and looking to fortify it with new appointments and territories, whilst also expanding its own direct footprint through planned future sales personnel recruitment for Zytronic Inc.

Marketing

The Group's sales efforts during 2015 have continued to be underpinned with a focused marketing endeavour to strengthen its digital PR including YouTube®, LinkedIn® and Twitter® to work more in tandem with its traditional printed PR. During the year, it has evaluated its trade PR processes and recognised that coverage in key markets such as the USA and China was not as responsive as required, and has changed agency to one which has brought a co-ordinated approach to those regions by partnering up with local region-specific agencies to improve the Zytronic trade PR.

During the year, the Group participated at the Electronica Expo in Munich, Germany, the Integrated Systems Europe ("ISE") exhibition in Amsterdam, the Netherlands, the Digital Signage Expo ("DSE") as well as the Global Gaming Expo ("G2E") in the USA. Indirectly, products were also well represented at a number of tradeshows by either customers or suppliers at the ICE Totally Gaming Expo in London and the Society of Information Displays Expo ("SID") and the Infocomm Expo, both in the USA.

A range of "How To" instructional videos were also compiled during the year and uploaded on to the Zytronic YouTube® channel, https://www.youtube.com/user/ZytronicTouchSensor/videos, as well as new corporate and investor videos to aid in the sales and marketing process.

2015 Operational review

Opportunities analysis

As a project-based business, Zytronic maintains an active log to monitor all valid touch enquiries raised by the sales channel partners, regional sales managers and business development managers in the normal course of business. Enquiries are separated into the key market sectors and range in size and value depending upon the quantity, sensor size and constraints of the products required.

The activity log is updated as new opportunities are added, and monitored and reviewed on a monthly basis, where, depending upon the level of activity having been undertaken at that point in time in relation to an enquiry and its prospect of success, the status of an enquiry is subsequently moved over time into Projects and Prospects. Projects are defined as those enquiries which have either an immediate likelihood of success, or a longer term high probability of success. It is normal, as time progresses, for Prospects to, therefore, become Projects, or on rare occasions, vice versa.

During the course of the financial year, the log increased through the addition of 314 opportunities. A total of 141 opportunities moved into production and 172 opportunities became inactive, leaving 360 active opportunities at 30 September 2015.

Of the 360 active opportunities, 68 are of Project status and are comprised of: 14 Projects that were in the log and active pre 30 September 2014, 15 Projects that were at Prospect status pre 30 September 2014 and re-rated to Project status during the course of the year and 39 newly added Projects. The 68 projects are divided into the following market sectors: six in finance, two in gaming, 25 in signage, 14 in vending, 16 in industrial and five in other.

Operations

The maintenance and improvement of the cost controls and production efficiencies established during 2014 continued into 2015 in the form of tight labour controls to accommodate the inevitable month-on-month variability the Group encounters as a project driven, short visibility and low volume bespoke component manufacturer. At the start of the period, the productive labour complement was 92 people, comprising 89 permanent employees and three on temporary contracts. By the period end, the complement had increased by five, with 83 employees on permanent contracts and 14 on temporary.

As reported in the 2014 review, in early 2015 the Group undertook a review of the touch manufacturing capacity and capability requirements across the three factory facilities. This resulted in a capital project being undertaken over 2015 to remove the oldest section of its original 1989 cleanroom and refurbish its existing 2001 cleanroom to expand into the floor space created. This has increased its total touch sensor manufacturing cleanroom footprint within the business by 25% to 10,000 ft^2.

In addition, Zytronic invested during the year in several new 2D direct write electrode printing machines and a further automated laminator, to increase throughput of ultra large, up to 65-inch touch sensors. A new computer controlled glass profiling machine was also installed to replace an older obsolete machine, allowing Zytronic to improve the finish of the edges of its glass across much larger glass sizes than previous, whilst extending the range of customisations the Group can offer in the supply of its bespoke touch sensors.

To conclude, I would like to take this opportunity on behalf of the Board to thank all Zytronic employees who have contributed to the strong performance of the business during 2015.

Mark Cambridge BSc (Hons), FIoD

Chief Executive Officer

7 December 2015

2015 Financial review

Overview

The Group performance for the year ended 30 September 2015 exceeded that of 2014, with sales up 13% to £21.3m and gross profit margin significantly improving to 41.9% (2014: 36.6%). This has resulted in an increase in Group EBITDA to £5.6m (2014: £4.3m), trading profit of £4.6m (2014: £3.3m) and profit before tax of £4.5m (2014: £3.3m).

Gross margin

Gross margin improved to 41.9% (2014: 36.6%) in the year, having been positively impacted by not only the increased volumes of touch sensor products sold but also the mix. Sales of traditional products have also benefited margin through the sale of complementary display offerings to one of the touch customers. Total labour costs remained controlled throughout the year, showing only a slight increase over that of last year in real terms, but as a percentage of sales the costs have reduced. Increased costs have arisen in commissions whereby more commissionable sales were made throughout 2015 and further channel partners have been engaged, on a retainer basis, to drive sales in growing territories. Factory costs have risen slightly in line with increased sales and continue to be closely monitored.

The Group transacts its operations in three different currencies, being GBP, USD and Euros. Movements in exchange rates can therefore impact its margin. During the year, from a gross margin perspective, the USD moved in the Group's favour whereas the Euro moved against the Group, compared to the average rates as of the prior year. The net effect in gross margin was an overall benefit of 0.9% from exchange rate movements. This benefit offsets a large portion of the £0.3m loss on exchange in overheads as described below.

Group trading profit

Group trading profit has increased further during the year through the increase in sales and gross margin; however, administration expenses have again continued to rise, due to a number of factors. Staff costs have increased year on year by £0.5m arising mainly from the £0.2m share option charge incurred following the 2014 implementation of the long term incentive plan by the Board. Bonus provisions have also been higher in the year to reward all employees for enhanced Group performance. The introduction of additional headcount in the year in the sales team to target new market opportunities has also impacted on costs. The Group has also incurred a net £0.3m for exchange adjustments following the strengthening of the USD post the contracts being entered into in August 2014, for the financial year 2015. These contracts, at adverse rates, have now fully expired. All other costs have been well controlled in the year.

Taxation

The Group's taxation charge for the year ended 30 September 2015 of £0.8m represents an effective tax rate of 17%, reflecting the continued utilisation of R&D tax credits and the allowances for the exercising of share options which occurred during the year. The Group is currently seeking clarification from its tax advisors as to its qualifying status under the Patent Box regime and has therefore made no adjustment for this in the year.

Earnings per share

The issued share capital is 15,322,346 ordinary shares of 1.0p each and the resultant EPS for the year is 24.7p, which represents growth of 26% from that reported last year (2014: 19.6p).

2015 Financial review

Dividend

The Directors recommend the payment of a final dividend of 8.87p per share for the year ended 30 September 2015 (2014: 7.16p). Subject to approval by shareholders, the dividend will be paid on Friday 11 March 2016 to shareholders on the register as at the close of business on Friday 26 February 2016.

Including the interim dividend paid of 3.14p (2014: 2.85p), the total dividend for the year would be 12.01p, which is an increase of 20% over last year. The dividend is covered 2.1 times by underlying earnings.

Capital expenditure

The Group embarked on a significant capital expenditure programme in the year with total investments of £1.0m in property, plant and equipment. £0.4m of this was incurred on the refurbishment of the original cleanroom to increase capacity to meet customer demand and ensure consistency of operations across both production facilities. A new laminating machine was added to increase throughput of ultra large format touch sensors at cost of £0.3m, with other additions being made to complement the existing and new facilities. £0.4m of capital expenditure was incurred in intangible assets over a variety of development projects, some of which will continue to be added to in the year ahead. Depreciation and amortisation for the year was at similar levels to that reported for 2014 at just over £1.0m and it is likely that this may marginally rise in 2016.

Cash and debt

The Group continues to generate cash, and despite the increased investment in capital expenditure in the year, has recorded an increase in cash and cash equivalents of £2.0m (2014: £2.3m). This has enabled the Group to continue its policy of investing in internal R&D and capital refurbishments and to maintain its progressive dividend policy.

Net cash balances at 30 September 2015 were £9.8m (2014: £7.8m), of which £2.6m was held between instant access and 95 days' notice interest-bearing deposit accounts with the remainder being managed through a set-off arrangement.

The Group maintains an overdraft facility, which it utilises in US Dollars and Euros, as part of the hedging of its FX exposure. To complement this, the Group also has an FX policy in place whereby it is hedged in both currencies for a minimum period of twelve months ahead up to a maximum period of 18 months ahead to better manage its net GBP inflows. As the timing of the receipts is difficult to accurately forecast, a sensitivity analysis has been applied to determine a portion of the expected net exposure to be hedged with any other surplus currency being managed in the month in which it occurs.

The Group retains a property mortgage with Barclays Bank plc, entered into in 2012, which is repayable at £0.2m per annum for five years, at which time it will either be re-financed or repaid. As of 30 September 2015, the outstanding property mortgage is £1.3m.

At 30 September 2015, the Group had cash balances net of the property-backed mortgage of £8.5m and was therefore not geared.

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

Group Finance Director

7 December 2015

Consolidated statement of comprehensive income

For the year ended 30 September 2015

	Notes	2015 £'000	2014 £'000
Group revenue		**21,267**	18,886
Cost of sales		**(12,366)**	(11,979)
Gross profit		**8,901**	6,907
Distribution costs		**(278)**	(156)
Administration expenses		**(4,073)**	(3,488)
Group trading profit		**4,550**	3,263
Finance costs		**(29)**	(35)
Finance revenue		**23**	33
Profit before tax		**4,544**	3,261
Tax expense	3	**(775)**	(301)
Profit for the year		**3,769**	2,960
Earnings per share			
Basic	5	**24.7p**	19.6p
Diluted	5	**24.3p**	19.5p

All profits are from continuing operations.

Consolidated statement of changes in equity

For the year ended 30 September 2015

	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 year	-	-	2,960	2,960
Tax recognised directly in equity	-	-	-	-
Exercise of share options	2	287	-	289
Share-based payments	-	-	93	93
Dividends	-	-	(1,390)	(1,390)
At 30 September 2014	152	7,290	10,611	18,053
Profit for the year	-	-	3,769	3,769
Tax recognised directly in equity	-	-	-	-
Exercise of share options	1	262	-	263
Share-based payments	-	-	180	180
Dividends	-	-	(1,574)	(1,574)
At 30 September 2015	**153**	**7,552**	**12,986**	**20,691**

Consolidated balance sheet

At 30 September 2015

	Notes	2015 £'000	2014 £'000
Assets			
Non-current assets			
Intangible assets		**1,427**	1,413
Property, plant and equipment		**7,807**	7,443
		9,234	8,856
Current assets			
Inventories		**3,214**	3,126
Trade and other receivables		**3,055**	3,068
Other current financial assets		**-**	48
Cash and short term deposits		**9,833**	7,806
		16,102	14,048
Total assets		**25,336**	22,904

Equity and liabilities

Current liabilities		
Trade and other payables	**971**	1,057
Financial liabilities	**200**	200
Other current financial liabilities	**89**	224
Accruals	**1,201**	1,264
Taxation liabilities	**255**	30
	2,716	2,775
Non-current liabilities		
Financial liabilities	**1,144**	1,341
Provisions	**136**	139
Government grants	**59**	-
Deferred tax liabilities (net)	**590**	596
	1,929	2,076
Total liabilities	**4,645**	4,851
Net assets	**20,691**	18,053
Capital and reserves		
Equity share capital	**153**	152
Share premium	**7,552**	7,290
Revenue reserve	**12,986**	10,611
Total equity	**20,691**	18,053

Consolidated cashflow statement

For the year ended 30 September 2015

	2015	2014
	£'000	£'000
Operating activities		
Profit from continuing operations	**4,544**	3,261
Net finance costs	**6**	2

Depreciation and impairment of property, plant and equipment	**708**	672
Amortisation and impairment of intangible assets	**336**	362
Loss on sale of fixed assets	**54**	-
Amortisation of government grant	**(4)**	-
Share-based payments	**180**	93
Fair value movement on foreign exchange forward contracts	**(87)**	176
Working capital adjustments		
(Increase)/decrease in inventories	**(88)**	383
Decrease/(increase) in trade and other receivables	**13**	(638)
(Decrease)/increase in trade and other payables and provisions	**(249)**	370
Cash generated from operations	**5,413**	4,681
Taxation paid	**(556)**	(497)
Net cashflow from operating activities	**4,857**	4,184
Investing activities		
Interest received	**23**	33
Proceeds from disposal of property, plant and equipment	**3**	36
Receipt of government grant	**63**	-
Payments to acquire property, plant and equipment	**(994)**	(263)
Payments to acquire intangible assets	**(388)**	(322)
Net cashflow from investing activities	**(1,293)**	(516)
Financing activities		
Interest paid	**(26)**	(35)
Dividends paid to equity shareholders of the parent	**(1,574)**	(1,390)
Proceeds from share issues relating to options	**263**	289
Repayment of borrowings	**(200)**	(200)
Net cashflow from financing activities	**(1,537)**	(1,336)

Increase in cash and cash equivalents	**2,027**	2,332
Cash and cash equivalents at the beginning of the year	**7,806**	5,474
Cash and cash equivalents at the year end	**9,833**	7,806

Notes to the consolidated financial statement

1. Statement of compliance

The Group results have been prepared in accordance with IFRS as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 2006.

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. Taxation

	30 September 2015 £'000	30 September 2014 £'000
Current tax		
UK corporation tax	**750**	549
Corporation tax over-provided in prior years	**31**	(218)
Total current tax charge	**781**	331
Deferred tax		
Effect of change in tax rates	**-**	-
Origination and reversal of temporary differences	**(6)**	(30)
Total deferred tax credit	**(6)**	(30)
Tax charge in the income statement	**775**	301

Tax relating to items credited to equity

	30 September 2015	30 September 2014

	£'000	£'000
Deferred tax		
Tax on share-based payments	**(28)**	-
Total deferred tax debit	**(28)**	-
Tax charge in the statement of changes in equity	**(28)**	-

Reconciliation of the total tax charge

The effective tax rate of the tax expense in the income statement for the year is 17.1% (2014: 9.2%) compared with the average rate of corporation tax in the UK of 20.5% (2014: 22.0%). The differences are reconciled below:

	30 September 2015 £'000	30 September 2014 £'000
Accounting profit before tax	**4,544**	3,261
Accounting profit multiplied by the UK average rate of corporation tax of 20.5% (2014: 22.0%)	**932**	717
Effects of:		
(Income not chargeable) /expenses not deductible for tax purposes	**(19)**	(14)
"Gain" on exercise of share options allowable for tax purposes but not reflected in the income statement	**(25)**	(25)
Depreciation in respect of non-qualifying items	**38**	42
Enhanced tax reliefs	**(179)**	(199)
Difference in tax rates	**(3)**	(2)
Tax over-provided in prior years	**31**	(218)
Total tax expense reported in the income statement	**775**	301

Factors that may affect future tax charges

Under current tax legislation, some of the amortisation of licences will continue to be non-deductible for tax purposes.

The "gain" on the exercise of share options, being the difference between the grant/exercise price and the market value at the time of exercise, is allowable as a tax deduction from profits, although it is not reflected within the income statement. These gains will arise in future years but their timing and amount is uncertain.

There are no tax losses to carry forward at 30 September 2015 (2014: £Nil).

The main rate of tax reduced to 21% from 1 April 2014 and further reduced to 20% from 1 April 2015; this was substantively enacted on 17 July 2013. This rate of 20% has been applied to the deferred tax assets/liabilities arising at the balance sheet date.

The Patent Box regime was introduced with effect from 1 April 2013 and allows companies to apply a lower rate of corporation tax to profits attributable to qualifying patents. This may have relevance for Zytronic insofar as such profits are embedded in the sales price of products incorporating patented components. The Company is in the process of assessing its qualifying status under the regime, and, to the extent that the Company will have relevant profits under the regime, will accordingly consider whether to elect into the regime and make a claim for the additional relief available. The rules effective from 1 April 2013 may be subject to amendment following the recommendations made by the OECD as published on 5 October 2015. The Company will consider further its position in respect of Patent Box in light of any amendments resulting from the OECD recommendations.

4. Dividends

The Directors propose the payment of a final dividend of 8.87p per share (2014: 7.16p), payable on 11 March 2016 to shareholders on the Register of Members on 26 February 2016. This dividend has not been accrued in these financial statements. The dividend payment will amount to some £1.4m.

	30 September 2015 £'000	30 September 2014 £'000
Ordinary dividends on equity shares		
Final dividend of 6.35p per ordinary share paid on 14 March 2014	-	958
Interim dividend of 2.85p per ordinary share paid on 25 July 2014	-	432
Final dividend of 7.16p per ordinary share paid on 13 March 2015	**1,093**	-
Interim dividend of 3.14p per ordinary share paid on 24 July 2015	**481**	-
	1,574	**1,390**

5. 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.

Weighted	Weighted

	average number of shares			average number of shares	
	Earnings	**of shares**	**EPS**	Earnings	of shares	EPS
	30 September 2015	**30 September 2015**	**30 September 2015**	30 September 2014	30 September 2014	30 September 2014
	£'000	**Thousands**	**Pence**	£'000	Thousands	Pence
Profit on ordinary activities after taxation	**3,769**	**15,259**	**24.7**	2,960	15,098	19.6
Basic EPS	**3,769**	**15,259**	**24.7**	2,960	15,098	19.6

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

	Earnings	**Weighted average number of shares**	**EPS**	Earnings	Weighted average number of shares	EPS
	30 September 2015	**30 September 2015**	**30 September 2015**	30 September 2014	30 September 2014	30 September 2014
	£'000	**Thousands**	**Pence**	£'000	Thousands	Pence
Profit on ordinary activities after taxation	**3,769**	**15,259**	**24.7**	**2,960**	**15,098**	**19.6**
Weighted average number of shares under option	-	**239**	**(0.4)**	-	**95**	**(0.1)**

Diluted EPS	**3,769**	**15,498**	**24.3**	**2,960**	**15,193**	**19.5**

6. Report and accounts

The Board approved the preliminary release and financial statements for the year ended 30 September 2015 on 7 December 2015. The above audited results do not represent statutory financial statements. The audit report has been signed. The audited accounts will be put onto the Group's website www.zytronicplc.com shortly and should be mailed to shareholders just before Christmas 2015, and will then be available from the registered office at Whiteley Road, Blaydon on Tyne, Tyne & Wear, NE21 5NJ.

The results for the year ended 30 September 2014 have been extracted from the 2014 accounts of Zytronic plc. The 2014 accounts, which have been filed with the Registrar of Companies, received an unqualified audit report and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

7. AGM date

It is intended that the AGM will take place at the Company's offices at Whiteley Road, Blaydon on Tyne, Tyne & Wear, NE21 5NJ on Thursday 25 February 2016 at 2.00pm. Notice of the AGM will be sent to shareholders within the financial statements.

This information is provided by RNS

The company news service from the London Stock Exchange

END