

**ZYTRONIC PLC**  
**Interim Results for the Six Months to 31 March 2007**

Zytronic Plc, a leading specialist manufacturer of touchscreens and optical filters for electronic displays, announces its interim results for the six months to 31 March 2007.

**Financial Highlights**

- Group turnover of £5.96m showed growth of 5% (2006: £5.67m);
- Gross profit margin increased to 31.2% from 29.7% in 2006;
- Profit before tax £427,000 (2006: £443,000)
- Proposed interim dividend of 1.0p per share (2006: Interim 1.0p);
- Significant growth in sales of recently introduced ZYPOS® touch sensors;
- New vendor management control systems at one of the Group's largest customers led to inventory reduction. Sales expected to return to more normal levels in Q4.

**Operational Highlights**

- New production facility at adjacent freehold factory proceeding according to plan;
- New capacity for ZYPOS production on schedule to begin around the end of the financial year.

**Board**

- Mark Cambridge, Managing Director of the trading subsidiary, Zytronic Displays Limited appointed to the Board with effect from 1 June 2007.

**Commenting on outlook, John Kennair, Chairman, said:**

“Whilst the issue regarding de-stocking by one of our major customers is disappointing we are extremely pleased with the successful introduction of ZYPOS touch sensors. Sales of this product are proceeding ahead of our expectations, indicating that this will be the fastest growth area of the business going forward.”

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**Notes to Editors**

Zytronic is an industry leader in the development and manufacture of customised optical filters to enhance electronic display performance. It is also an innovator in the production of specialised and transparent laminates for niche markets.

Based on this lamination expertise, Zytronic has developed a unique range of touchscreen products employing Projected Capacitive Technology (PCT™) which enables the pointing device to sense through an anti-vandal screen in front of the display. This system offers significant benefits to electronic display manufacturers.

Operating from two modern factories near Newcastle-upon-Tyne in England, Zytronic assembles touchscreens and filters, utilising special glass and plastic materials, in environmentally controlled clean rooms.

# CHAIRMAN'S STATEMENT

## Results

Sales at £5.96m (2006 £5.67m) grew by 5%. An improvement in gross profit margins to 31.2% (2006 29.7%) produced a 10% increase in gross profit. Higher overheads in the period at £1.399m, partially arising from the continuing growth in the Group's business and the introduction of ZYPOS®, (2006 £1.227m) have led to a pre-tax profit of £427,000 (2006 £443,000).

## Trading

Sales growth of 5% over the corresponding period last year has been primarily influenced by two offsetting factors; de-stocking by a major customer and the introduction of ZYPOS® touch sensors.

In the past six months, one of our largest customers has introduced new vendor management control systems whereby our products are supplied into central warehouses in various territories around the world, from which the customer calls down the product to meet its manufacturing requirements. This centralised stocking system has enabled our customer to reduce inventory resulting in a fall of sales to this account in the first half of over £700,000, most critically in March 2007. The implementation of these new systems has now been completed in the United States, which has had the largest impact on our business. It is anticipated that the systems will be completed in Europe by July of this year, following which sales to this customer are expected to return to more normal levels.

## ZYPOS

Following the introduction of our new ZYPOS touch sensor product towards the end of the 2006 financial year, sales of ZYPOS have shown strong growth to £800,000 in the period under review with the product now being specified into a number of new applications.

The development of a new production facility for ZYPOS, which I mentioned in my last statement, is proceeding according to plan and we expect the new factory and associated equipment to come on stream around the financial year end.

## Dividend

The Directors have declared an interim dividend of 1p per share (2006 1p per share) payable on 29 June 2007 to shareholders on the Register on 8 June 2007.

## Management

The Directors have appointed Mark Cambridge to the Board with effect from 1 June 2007. Mark joined the Group in 1991, holding executive positions in technical, quality and sales and marketing before being appointed to the role of Managing Director of the trading subsidiary, Zytronic Displays Limited, in February 2006.

Mark has made a major contribution to the success of the business, in particular the development and launch of the ZYPOS product. I am sure he will make a significant contribution to the Board.

## Outlook

Whilst the de-stocking in what is currently the Group's largest market sector has held back the growth in sales in the first half, it is anticipated that this will have worked through the system with sales returning to more normal levels in the fourth quarter. However, this will be too late to enable the Group to achieve sufficient profits in the second half to meet current market expectations. The successful introduction of ZYPOS touch sensors, with sales of this product proceeding ahead of Directors' expectations, indicate that this will be the fastest growth area of the business going forward.

**JOHN M. KENNAIR**

Chairman

## GROUP PROFIT AND LOSS ACCOUNT

unaudited results for the six months to 31 March 2007

		Six months to 31 March 2007 Unaudited	Six months to 31 March 2006 Unaudited (Restated)	Year to 30 September 2006 Unaudited (Restated)
	Notes	£'000	£'000	£'000
<b>Turnover</b>		<b>5,960</b>	5,670	12,301
Cost of sales		<b>4,101</b>	3,987	8,449
<b>Gross profit</b>		<b>1,859</b>	1,683	3,852
Distribution costs		<b>108</b>	82	170
Administrative expenses		<b>1,291</b>	1,145	2,356
		<b>1,399</b>	1,227	2,526
<b>Operating profit</b>		<b>460</b>	456	1,326
Interest payable		<b>(39)</b>	(18)	(59)
Interest receivable		<b>6</b>	5	6
<b>Profit on ordinary activities before taxation</b>		<b>427</b>	443	1,273
Tax charge on profit on ordinary activities	3	<b>(90)</b>	(107)	(153)
<b>Profit on ordinary activities after taxation</b>		<b>337</b>	336	1,120
<b>Earnings per share</b>				
Earnings per share – basic	4	<b>2.3p</b>	2.3p	7.8p
Earnings per share – diluted	4	<b>2.3p</b>	2.3p	7.7p

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

unaudited accounts for the six months to 31 March 2007

There were no recognised gains or losses as defined in Financial Reporting Standard No. 3 other than those stated above.

Following the adoption of FRS 20, share-based payment, the results for the six months to 31 March 2006 and year to 30 September 2006 have been restated. An additional expense has been charged to Administrative expenses, being £23,000 in the six months to 31 March 2007; £20,000 in the six months to 31 March 2006 and £39,000 in the year to 30 September 2006.

# GROUP BALANCE SHEET

unaudited results for the six months to 31 March 2007

	Six months to 31 March 2007 Unaudited	Six months to 31 March 2006 Unaudited (Restated)	Year to 30 September 2006 Unaudited (Restated)
	£'000	£'000	£'000
<b>Fixed assets</b>			
Intangible assets	1,965	2,046	2,026
Tangible assets	4,046	3,731	3,831
	<b>6,011</b>	<b>5,777</b>	<b>5,857</b>
<b>Current assets</b>			
Stocks	1,871	1,504	1,706
Debtors: amounts falling due within one year	2,586	2,639	2,852
Cash at bank and in hand	191	316	493
	<b>4,648</b>	<b>4,459</b>	<b>5,051</b>
<b>Creditors: amounts falling due within one year</b>	<b>1,386</b>	<b>1,984</b>	<b>1,828</b>
<b>Net current assets</b>	<b>3,262</b>	<b>2,475</b>	<b>3,223</b>
<b>Total assets less current liabilities</b>	<b>9,273</b>	<b>8,252</b>	<b>9,080</b>
<b>Creditors: amounts falling due after more than one year</b>	<b>624</b>	<b>783</b>	<b>658</b>
<b>Provisions for liabilities and charges</b>	<b>533</b>	<b>239</b>	<b>374</b>
	<b>8,116</b>	<b>7,230</b>	<b>8,048</b>
<b>Capital and reserves</b>			
Called up share capital	146	144	146
Share premium	6,450	6,299	6,450
Profit and loss account	1,520	787	1,452
<b>Equity shareholders' funds</b>	<b>8,116</b>	<b>7,230</b>	<b>8,048</b>

# GROUP STATEMENT OF CASH FLOWS

unaudited results for the six months to 31 March 2007

	Notes	Six months to 2007 31 March Unaudited £'000	Six months to 31 March 2006 Unaudited £'000	Year to 30 September 2006 Unaudited £'000
<b>Net cash inflow from operating activities</b>	6a	<b>698</b>	516	1,529
<b>Returns on investments and servicing of finance</b>				
Interest received		6	5	6
Interest paid		(37)	(11)	(48)
Interest element of finance lease rental payments		(2)	(7)	(11)
Net outflow from returns on investments and servicing of finance		(33)	(13)	(53)
<b>Taxation</b>				
Corporation tax repayment/(paid)		11	10	(230)
<b>Capital expenditure and financial investment</b>				
Payments to acquire intangible fixed assets		(77)	(44)	(159)
Payments to acquire tangible fixed assets – property		(152)	(792)	—
Payments to acquire tangible fixed assets – plant and equipment		(307)	(666)	(1,767)
Receipt from sale of assets		—	—	6
Net outflow from capital expenditure and financial investment		(536)	(1,502)	(1,920)
<b>Equity dividends paid</b>		<b>(293)</b>	(215)	(360)
<b>Net cash outflow before financing</b>		<b>(153)</b>	(1,204)	(1,034)
<b>Financing</b>				
Issue of ordinary share capital re options		—	84	238
Receipt from new bank loan – property		—	750	750
Repayments of bank loans		(71)	(51)	(122)
Repayments of capital element of finance lease		(78)	(73)	(149)
Net inflow/(outflow) from financing		(149)	710	717
Decrease in cash		(302)	(494)	(317)
<b>Reconciliation of net cash flow to movement in net debt</b>				
Decrease in cash		(302)	(494)	(317)
Receipt from new bank loan – property		—	(750)	(750)
Repayments of bank loans		71	51	122
Repayments of capital element of finance lease		78	73	149
<b>Movement in net funds</b>		<b>(153)</b>	(1,120)	(796)
<b>Net (debt)/funds at beginning of period</b>		<b>(380)</b>	416	416
<b>Net debt at end of period</b>	6b	<b>(533)</b>	(704)	(380)

# NOTES TO THE INTERIM REPORT

unaudited results for the six months to 31 March 2007

## 1. Basis of preparation

The financial information in this interim statement is prepared under the historical cost convention and in accordance with applicable accounting standards. It does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The financial information for the full preceding year is based on the statutory accounts for the year to 30 September 2006. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

The interim financial information has been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the year ended 30 September 2006 as adjusted for the adoption of FRS 20 'share-based payment'. In preparing the financial statements for the current year, the group has adopted FRS 20 'share-based payment'. The adoption of FRS 20 has resulted in a change in accounting policy for share-based payment transactions. FRS 20 requires the fair value of options and share awards which ultimately vest to be charged to the profit and loss account over the vesting or performance period. For equity-settled transactions the fair value is determined at the date of the grant using an appropriate pricing model. If an award fails to vest as the result of certain types of performance condition not being satisfied, the charge to the income statement will be adjusted to reflect this.

The taxation charge is calculated by applying the Directors' best estimate of the annual tax rate to the profit for the period. Other expenses are accrued in accordance with the same principles used in the preparation of the annual accounts.

## 2. Basis of consolidation

The Group results consolidate the accounts of Zytronic Plc and all its subsidiary undertakings drawn up to 31 March 2007.

## 3. Tax charge on profit on ordinary activities

The estimated tax rate for the year of 21% has been applied to the half year's profit before tax, in accordance with the ASB's statement on interim reports. The estimated rate is lower than the standard rate of UK corporation tax (30%) due, in particular, to the effect of the continuing beneficial effect of the Research & Development tax credit scheme and the change of corporation tax (28%) used for the deferred tax provision.

## 4. Earnings per share

Basic earnings per share (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.

	Earnings 31 March 2007 £'000	Weighted average number of shares 31 March 2007 thousands	Earnings per share 31 March 2007 pence	Earnings 31 March 2006 £'000	Weighted average number of shares 31 March 2006 thousands	Earnings per share 31 March 2006 pence
Profit on ordinary activities after taxation attributable to ordinary equity holders	337	14,640	2.3	336	14,306	2.3
Basic EPS	337	14,640	2.3	336	14,306	2.3

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

	Earnings 31 March 2007 £'000	Weighted average number of shares 31 March 2007 thousands	Earnings per share 31 March 2007 pence	Earnings 31 March 2006 £'000	Weighted average number of shares 31 March 2006 thousands	Earnings per share 31 March 2006 pence
Profit on ordinary activities after taxation attributable to ordinary equity holders	337	14,640	2.3	336	14,306	2.3
Weighted average number of shares under option	—	196	(0.0)	—	150	(0.0)
Diluted EPS	337	14,836	2.3	336	14,456	2.3

	Earnings 30 September 2006 £'000	Weighted average number of shares 30 September 2006 Thousands	Earnings per share 30 September 2006 pence
Profit on ordinary activities after taxation attributable to ordinary equity holders	1,120	14,414	7.8
Basic EPS	1,120	14,414	7.8

# NOTES TO THE INTERIM REPORT

## unaudited results for the six months to 31 March 2007

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

	Earnings 30 September 2006 £'000	Weighted average number of shares 30 September 2006 thousands	Earnings per share 30 September 2006 pence
Profit on ordinary activities after taxation attributable to ordinary equity holders	1,120	14,414	7.8
Weighted average number of shares under option	—	220	(0.1)
Diluted EPS	1,120	14,634	7.7

### 5. Dividends

The Directors propose the payment of an interim dividend of 1.0p per share (2006: 1.0p), payable on 29 June 2007 to shareholders on the Register on 8 June 2007. This dividend has not been accrued in these Interim Accounts. The dividend payment will be some £146,000.

The dividends in the current and prior year are as follows:

	Six months to 31 March 2007 Unaudited £'000	Six months to 31 March 2006 Unaudited £'000	Year to 30 September 2006 £'000
<b>Ordinary dividends on equity shares</b>			
Final dividend of 1.5p per ordinary share paid on 24 March 2006	—	215	215
Interim dividend of 1.0p per ordinary share paid on 30 June 2006	—	—	145
Final dividend of 2.0p per ordinary share paid on 16 March 2007	295	—	—
	295	215	360

### 6. Notes to the Group statement of cash flows

#### a) Reconciliation of operating profit to net cash inflow from operating activities:

	Six months to 31 March 2007 Unaudited £'000	Six months to 31 March 2006 Unaudited (Restated) £'000	Year to 30 September 2006 Unaudited (Restated) £'000
Operating profit	460	456	1,326
Depreciation	243	221	429
Amortisation	139	131	266
Profit on sale of fixed assets	—	—	5
FRS 20 Share option payments	23	20	39
Gross cash inflows	865	828	2,065
Decrease/(increase) in debtors	306	2	(505)
Increase in stocks	(165)	(303)	(216)
(Decrease)/increase in creditors	(308)	(11)	185
Net cash inflow from operating activities	698	516	1,529

#### b) Analysis of net (debt)/funds:

	31 March 2007 Unaudited £'000	31 March 2006 Unaudited £'000	30 September 2006 £'000
Cash at bank and in hand	191	316	493
Bank loans	(724)	(866)	(795)
Finance lease	—	(154)	(78)
	(533)	(704)	(380)

