



Interim Report  
Six months to 31 March 2004

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Sandra Malin is undertaking a visual inspection for imperfections, clarity and cleanliness of the toughened glass during the lamination process of a touchscreen.

# Chairman's Statement

In my statement to shareholders of 6 February 2004 which accompanied last year's Annual Report, I stated that increased acceptance of ZYTOUCH® in the market place had led to an improvement in orders and sales in the second half of last year. This trend has continued into the first half of the current financial year resulting in a substantial improvement, but it is disappointing that, despite some currency hedging, adverse foreign exchange movements have had an impact on the profitability of the business.

The management are continuing with steps to mitigate the impact of any future adverse currency movements. I will also be taking a greater executive role in the business to assist management in ensuring that the current growth in sales is reflected in a more substantial improvement in profitability.

## Results

Whilst sales at £3.9m (£2.5m: 2003) were over 54% higher than in the corresponding period last year, the pre-tax loss was a disappointing £71,000 (£451,000: 2003) as a result of the significant fall in the value of the US Dollar.

The reduction in cash over the period is due to increased working capital associated with the higher turnover.

## Trading

ZYTOUCH®, the Group's touchscreen product, has continued to improve its market penetration, including the first significant sales in the gaming sector.

Following three years of development, we have received the first orders for the petrol pump market which are to be delivered in the summer of this year. Also, one of the world's leading ATM manufacturers of automatic cash dispensers (ATMs), who previously used ZYTOUCH® for external applications only, has now specified ZYTOUCH® for all its ATM touchscreen range.

## Outlook

The order book continues to strengthen.

Internally, work is being focused towards improving the profitability of the business. Although such work will take time to have an impact, I hope to be able to report real progress in my next Chairman's statement.

## J M Kennair MBE

Chairman

13 May 2004

# Group Profit and Loss Account

Unaudited Results for the six months to 31 March 2004

		Six months to 31 March	Year to 30 September
		2004	2003
		Unaudited	Unaudited
		£'000	£'000
	Notes		Audited £'000
<b>Turnover</b>		<b>3,853</b>	5,690
Cost of sales		<b>2,783</b>	4,075
<b>Gross profit</b>		<b>1,070</b>	1,615
Distribution costs		<b>54</b>	80
Administrative expenses – ordinary activities		<b>1,078</b>	1,801
– exceptional costs	3	<b>-</b>	87
		<b>1,078</b>	1,888
		<b>1,132</b>	1,968
<b>Operating loss</b>		<b>(62)</b>	(353)
Interest payable		<b>(13)</b>	(35)
Interest receivable		<b>4</b>	22
<b>Loss on ordinary activities before taxation</b>		<b>(71)</b>	(366)
Tax credit on loss on ordinary activities	4	<b>28</b>	59
<b>Loss on ordinary activities after taxation</b>		<b>(43)</b>	(307)
Ordinary dividend on equity shares	5	<b>-</b>	-
<b>Retained loss for the period</b>		<b>(43)</b>	(307)
Loss per share – basic	6	<b>(0.3)p</b>	(2.1)p
– diluted	6	<b>(0.3)p</b>	(2.1)p

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

# Group Balance Sheet

Unaudited Results for the six months to 31 March 2004

	31 March 2004 Unaudited £'000	30 September 2003 Unaudited £'000	2003 Audited £'000
<b>Fixed assets</b>			
Intangible assets	2,194	2,304	2,235
Tangible assets	2,158	2,497	2,258
	<b>4,352</b>	4,801	4,493
<b>Current assets</b>			
Short term property investment	75	–	75
Stocks	1,352	938	1,086
Debtors: Amounts falling due within one year	1,725	841	1,134
Cash at bank and in hand	308	950	954
	<b>3,460</b>	2,729	3,249
<b>Creditors: amounts falling due within one year</b>	<b>1,308</b>	933	1,126
	<b>2,152</b>	1,796	2,123
<b>Total assets less current liabilities</b>	<b>6,504</b>	6,597	6,616
<b>Creditors: amounts falling due after more than one year</b>	<b>298</b>	434	367
<b>Provisions for liabilities and charges</b>	<b>90</b>	60	90
	<b>6,116</b>	6,103	6,159
<b>Capital and reserves</b>			
Called up share capital	143	143	143
Share premium	6,212	6,212	6,212
Merger reserve	–	(31)	–
Profit and loss account	(239)	(221)	(196)
<b>Equity shareholders' funds</b>	<b>6,116</b>	6,103	6,159

# Group Statement of Cashflows

Unaudited Results for the six months to 31 March 2004

		Six months to 31 March 2004 Unaudited £'000	Year to 30 September 2003 Unaudited £'000	Year to 30 September 2003 Audited £'000
	Notes			
<b>Net cash (outflow)/inflow from operating activities</b>	7a	<b>(425)</b>	159	365
<b>Returns on investments and servicing of finance</b>				
Interest received		4	14	22
Interest paid		-	(12)	(11)
Interest element of finance lease rental payments		(13)	(17)	(34)
		<b>(9)</b>	(15)	(23)
<b>Taxation</b>				
Corporation tax (paid)		-	(86)	(86)
<b>Capital expenditure and financial investment</b>				
Payments to acquire intangible fixed assets		(20)	(41)	(80)
Payments to acquire tangible fixed assets		(127)	(182)	(198)
Payments to acquire short term property investment		-	-	(75)
		<b>(147)</b>	(223)	(353)
<b>Net cash outflow before financing</b>		<b>(581)</b>	(165)	(97)
<b>Financing</b>				
Repayment of capital element of finance leases		(65)	(61)	(125)
Decrease in cash		<b>(646)</b>	(226)	(222)
<b>Reconciliation of net cashflow to movement in net (debt)/funds</b>				
Decrease in cash		<b>(646)</b>	(226)	(222)
Net repayments of capital element of finance leases		65	61	125
<b>Movement in net funds</b>		<b>(581)</b>	(165)	(97)
<b>Net funds at beginning of period</b>		<b>455</b>	552	552
<b>Net (debt)/funds at end of period</b>	7b	<b>(126)</b>	387	455

# Notes

## Unaudited Results for the six months to 31 March 2004

### 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 2003. 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 2003. The taxation credit is calculated by applying the Directors' best estimate of the annual tax rate to the loss 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 2004.

### 3. Exceptional costs

The exceptional costs in 2003 are reorganisation costs, principally redundancy and associated costs.

### 4. Tax Credit on loss on ordinary activities

The estimated tax rate for the year of 40% has been applied to the half year's loss before tax, in accordance with the ASB's statement on interim reports.

### 5. Dividends

There is no interim dividend (2003: NIL).

### 6. Loss per share

The calculations of loss per share are based on a loss after taxation of £43,000 (2003: £363,000) and a basic and diluted weighted average of 14,291,539 shares in issue (2003: 14,291,539). The calculations of loss per share for the full year to 30 September 2003 are based on a loss after taxation of £307,000 and a basic and diluted weighted average of 14,291,539 shares in issue.

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

a) Reconciliation of operating loss to net cash (outflow)/inflow from operating activities:

	Six months to 31 March		Year to 30 September
	2004 Unaudited £'000	2003 Unaudited £'000	2003 Audited £'000
Operating loss	(62)	(446)	(353)
Depreciation	241	253	498
Amortisation	110	95	202
	<u>289</u>	<u>(98)</u>	<u>347</u>
(Increase)/Decrease in debtors	(563)	424	130
Increase in stocks	(266)	(43)	(191)
Increase/(Decrease) in creditors	115	(124)	79
	<u>(425)</u>	<u>159</u>	<u>365</u>

b) Analysis of net (debt)/funds:

	31 March		30 September
	2004 Unaudited £'000	2003 Unaudited £'000	2003 Audited £'000
Cash at bank and in hand	308	950	954
Finance leases	(434)	(563)	(499)
	<u>(126)</u>	<u>387</u>	<u>455</u>

Three of the current applications for touchscreens – clockwise from top left – in a Marconi webphone; in a “state of the art” jukebox; and in a foetal monitor in a maternity hospital.



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