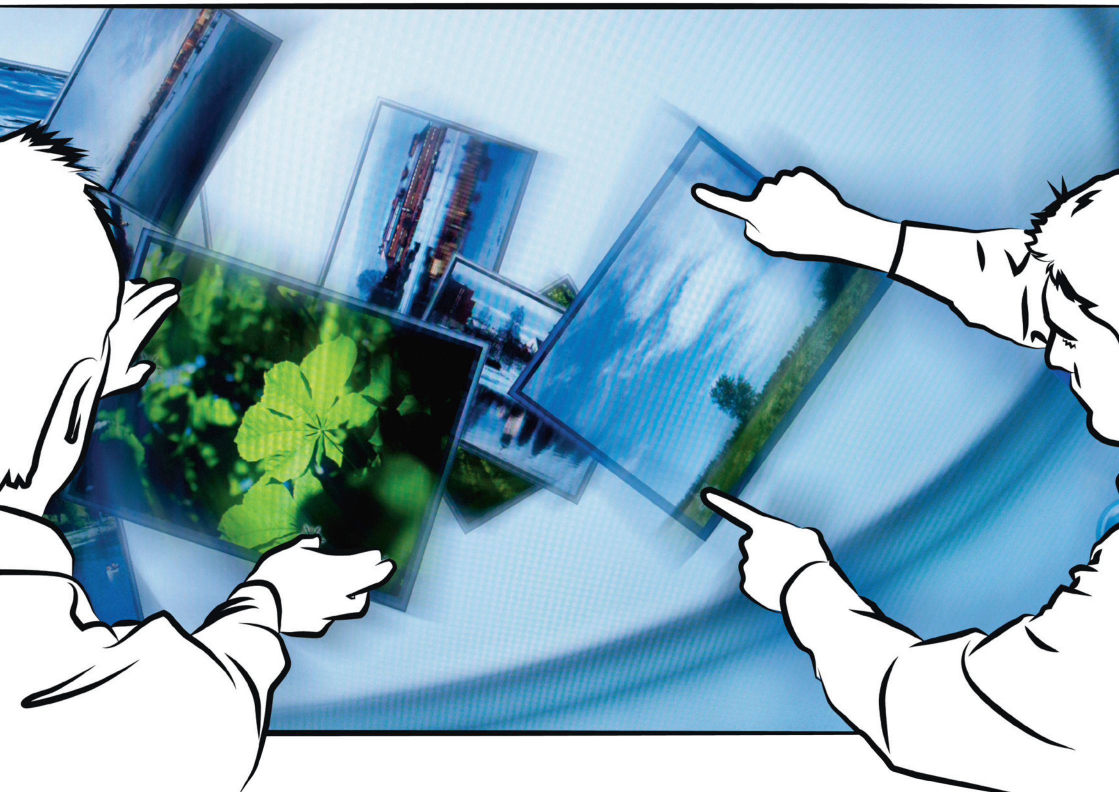
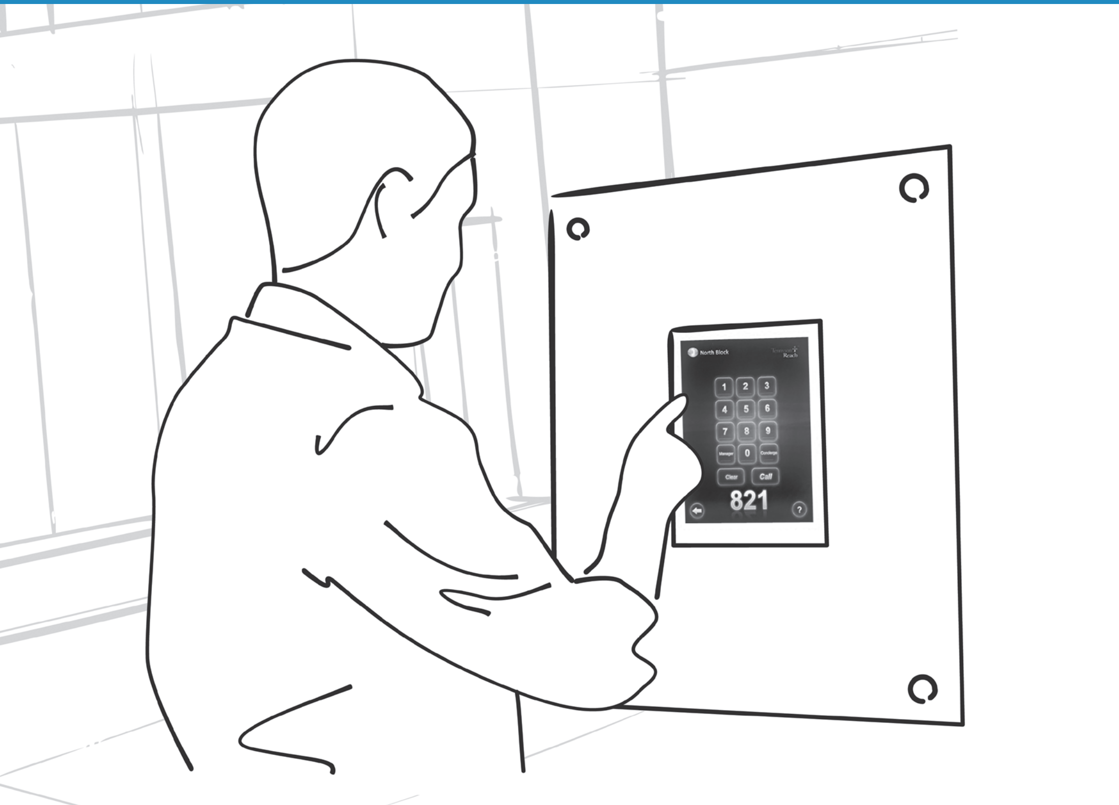


Zytronic plc Interim report for the six months to 31 March 2013

The touch solution for all environments



Zytronic is a leading global manufacturer of touch-based products for public access and industrial applications

www.zytronic.co.uk
In-depth view of our technology and applications

www.zytronicplc.com
News and information from an investor's perspective

Review of the period

Financial statements

At a glance

Overview

- Revenue decreased by 20% to £8.5m (H1 FY2012: £10.6m) through the absence of one-off orders and project delays
- Gross profit margin decreased to 26.0% (H1 FY2012: 36.4%) as a result of reduced volumes and product mix adversely impacting efficiencies, and erratic ordering patterns
- Profit before tax decreased by 64% to £0.8m (H1 FY2012: £2.1m)
- Earnings per share ("EPS") decreased significantly to 4.1p (H1 FY2012: 11.1p)
- Interim dividend increased by 6% to 2.75p per share (2012 interim dividend: 2.60p)
- Net cash balances increased to £4.6m (30 September 2012: £4.2m) and debt reduced to £1.8m (30 September 2012: £1.9m)

Chairman's statement

"The Group is in a strong financial position, has market leading technology, strong customer relationships, and several interesting prospects, with significant potential to improve results in the future, and we shall update shareholders on any material developments."

Introduction

After several years of continuous growth, it is disappointing to report on such a significant decline in turnover and profitability for the six months ended 31 March 2013. As previously explained in last year's financial statements, and at the AGM in February 2013, we benefitted from some one-off orders for ATM display products, and we were expecting a slower first half, but with the expectation of major projects coming to fruition and a return to stronger trading as the year progressed. These projects are still live prospects, but the timing of conversion to orders is slower than anticipated.

Results

Revenues decreased by 20% to £8.5m (2012: £10.6m); operating profit decreased by 64% to £0.8m (2012: £2.2m); profit before taxation decreased by 64% to £0.8m (2012: £2.1m); and after taxation of 20% (2012: 23%) resulted in profits after taxation of £0.6m (2012: £1.6m) and a decrease in earnings per share of 63% to 4.1p (2012: 11.1p).

The decline in revenues has been due to the absence of some one-off orders for ATM display products as well as de-stocking on the Coca Cola Freestyle™ project and other business which together had accounted for approximately £2m of revenues in the comparable prior period.

In response to the lower levels of activity we have reduced our cost base, principally through a reduction of the headcount from 199 to 178 during the first half, but the erratic order patterns and product mix adversely impacted upon efficiencies and reduced gross margins from 36% to 26%.

As indicated in the AGM statement, there are some interesting projects with potential including the resumption of the roll out of the Freestyle™ units, and further development on large interactive vending projects for Coca Cola and other multinational snack and drink companies. There are many other projects with significant potential including new touch products incorporating encrypted PIN entry systems for the financial and vending markets, and large format screens for digital signage and gaming applications. These technical improvements and advances are developed by our in-house research and development team which has developed large format multi touch, multi-user, mutual projected capacitive technology "MPCT" to be incorporated into our touchscreen offerings to our target markets.

Financial position/ cash generation

The Group has cash and short term deposits of £4.6m, and a net financial position of £2.8m after net current financial liabilities of £0.2m and non-current financial liabilities of £1.6m in relation to a property mortgage.

The Group generated £1.7m from operating activities including a £0.9m reduction in working capital in the six months ended 31 March 2013; £0.4m was invested in capital expenditure; and after debt service costs of £0.1m generated a net £1.3m, before the payment of £0.9m in respect of the final dividend for last year.

Dividend

The Directors have declared a dividend of 2.75p per share at 6% above the prior year (2012: 2.60p) payable on 26 July 2013 to shareholders on the Register on 12 July 2013.

Outlook

The first two months of the second half has not seen any discernible improvement over the first half or progress over and above current levels. However, the Group is in a strong financial position, has market leading technology, strong customer relationships, and several interesting prospects, with significant potential to improve results in the future, and we shall update shareholders on any material developments.

Tudor Davies
Chairman
21 May 2013

Consolidated statement of comprehensive income

Unaudited results for the six months to 31 March 2013

	Notes	**Six months to 31 March 2013 Unaudited £'000**	Six months to 31 March 2012 Unaudited £'000	Year to 30 September 2012 Audited £'000
Group revenue		**8,504**	10,633	20,424
Cost of sales		**6,295**	6,757	13,008
Gross profit		**2,209**	3,876	7,416
Distribution costs		**90**	135	243
Administration expenses		**1,437**	1,669	3,089
Group trading profit		**682**	2,072	4,084
Other operating income		**93**	93	187
Group operating profit from continuing operations		**775**	2,165	4,271
Finance costs		**28**	54	91
Finance revenue		**8**	8	15
Profit from continuing operations		**755**	2,119	4,195
Tax expense	3	**151**	487	898
Profit for the period from continuing operations		**604**	1,632	3,297
Earnings per share				
Basic	4	**4.1p**	11.1p	22.2p
Diluted	4	**4.0p**	10.9p	21.9p

Consolidated statement of changes in equity

Unaudited results for the six months to 31 March 2013

	Called up share capital* £'000	Share premium** £'000	Retained earnings £'000	Total £'000
At 30 September 2012	149	6,862	8,569	15,580
Profit for the period	—	—	604	604
Exercise of share options	—	37	—	37
Share-based payments	—	—	22	22
Dividends	—	—	(880)	(880)
At 30 March 2013 (unaudited)	**149**	**6,899**	**8,315**	**15,363**

* Share capital represents proceeds on issue of the Company's equity share capital.

** Share premium comprises the excess in proceeds on issue of the Company's equity share capital above the nominal value of the shares issued.

Consolidated balance sheet

Unaudited results at 31 March 2013

	At 31 March 2013 Unaudited £'000	At 31 March 2012 Unaudited £'000	At 30 September 2012 Audited £'000
Assets			
Non-current assets			
Intangible assets	**1,528**	1,669	1,613
Property, plant and equipment	**8,074**	8,365	8,231
Trade and other receivables	**413**	296	413
	10,015	10,330	10,257
Current assets			
Inventories	**2,542**	3,470	3,441
Trade and other receivables	**2,968**	3,588	3,090
Cash and short term deposits	**4,618**	4,449	4,217
	10,128	11,507	10,748
Total assets	**20,143**	21,837	21,005
Equity and liabilities			
Current liabilities			
Trade and other payables	**1,186**	1,748	1,299
Financial liabilities	**200**	1,970	200
Accruals	**895**	980	1,016
Taxation liabilities	**259**	508	476
Government grants	**1**	193	97
	2,541	5,399	3,088
Non-current liabilities			
Financial liabilities	**1,637**	1,548	1,735
Deferred tax liabilities (net)	**602**	726	602
	2,239	2,274	2,337
Total liabilities	**4,780**	7,673	5,425
Net assets	**15,363**	14,164	15,580
Capital and reserves			
Equity share capital	**149**	149	149
Share premium	**6,899**	6,819	6,862
Revenue reserve	**8,315**	7,196	8,569
Total equity	**15,363**	14,164	15,580

Consolidated cashflow statement

Unaudited results for the six months to 31 March 2013

	Notes	**Six months to 31 March 2013 Unaudited £'000**	Six months to 31 March 2012 Unaudited £'000	Year to 30 September 2012 Audited £'000
Operating activities				
Profit from continuing operations		**755**	2,119	4,195
Net finance costs		**20**	46	76
Depreciation and impairment of property, plant and equipment		**350**	345	689
Amortisation and impairment of intangible assets		**165**	199	350
Loss/(profit) on disposals of fixed assets		**12**	—	(13)
Amortisation of government grant		**(96)**	(96)	(192)
Share-based payments		**22**	22	74
Working capital adjustments				
Decrease/(increase) in inventories		**899**	(716)	(687)
Decrease in trade and other receivables		**122**	443	808
(Decrease) in trade and other payables		**(145)**	(152)	(658)
Cash generated from operations		**2,104**	2,210	4,642
Taxation paid		**(368)**	(492)	(998)
Net cashflow from operating activities		**1,736**	1,718	3,644
Investing activities				
Interest received		**8**	8	15
Proceeds from disposals of property, plant and equipment		**—**	11	24
Proceeds from disposal of intangible assets		**—**	—	84
Purchases of property, plant and equipment		**(293)**	(630)	(732)
Payments to acquire intangible assets		**(81)**	(58)	(236)
Net cashflow from investing activities		**(366)**	(669)	(845)
Financing activities				
Interest paid		**(28)**	(46)	(90)
Dividends paid to equity shareholders of the parent		**(880)**	(830)	(1,217)
Proceeds from share issue re options		**37**	233	276
New borrowings		**—**	—	2,000
Repayment of borrowings		**(98)**	(176)	(2,129)
Net cash outflow from financing activities		**(969)**	(819)	(1,160)
Increase in cash and cash equivalents		**401**	230	1,639
Cash and cash equivalents at the beginning of the period		**4,217**	2,578	2,578
Cash and cash equivalents at the period end	6	**4,618**	2,808	4,217

Notes to the interim report

Unaudited results for the six months to 31 March 2013

1. Basis of preparation

The financial information in these interim statements is prepared under the historical cost convention and in accordance with international accounting standards. It does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006 and does not reflect all the information contained in the Group's annual report and financial statements.

The 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 report and financial statements.

The interim results for the six months to 31 March 2013 are not reviewed by Ernst & Young LLP and accordingly no opinion has been given.

The interim financial statements have been prepared using the same accounting policies and methods of computation used to prepare the 2012 annual report and financial statements.

The financial information for the six months to 31 March 2013 and the comparative financial information for the six months to 31 March 2012 have not been audited. The comparative financial information for the year ended 30 September 2012 has been extracted from the 2012 annual report and financial statements.

The annual report and financial statements for the year ended 30 September 2012, which were approved by the Board of Directors on 10 December 2012, received an unqualified audit report, did not contain a statement under Section 498(2) or (3) of the Companies Act 2006 and have been filed with the Registrar of Companies.

The Group has one reportable business segment comprising the development and manufacture of customised optical filters to enhance electronic display performance. Products in this reportable business segment include touch sensors, filters and other laminated products. All revenue, profits or losses before tax and net assets are attributable to this reportable business segment.

2. Basis of consolidation

The Group results consolidate the accounts of Zytronic plc and all its subsidiary undertakings drawn up to 31 March 2013.

3. Tax charge on profit on ordinary activities

The estimated tax rate for the year of 20% has been applied to the half year's profit before tax, in accordance with the ASB's statement on interim reports.

4. Earnings per share

Basic EPS is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. All activities are continuing operations and therefore there is no difference between EPS arising from total operations and EPS arising from continuing operations.

For the six months to 31 March 2013 and 2012

	Earnings 31 March 2013 £'000	Weighted average number of shares 31 March 2013 Thousands	EPS 31 March 2013 Pence	Earnings 31 March 2012 £'000	Weighted average number of shares 31 March 2012 Thousands	EPS 31 March 2012 Pence
Profit on ordinary activities after taxation attributable to ordinary equity holders	**604**	**14,917**	**4.1**	1,632	14,756	11.1
Basic EPS	**604**	**14,917**	**4.1**	1,632	14,756	11.1

4. Earnings per share continued

For the six months to 31 March 2013 and 2012 continued

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

	Earnings 31 March 2013 £'000	**Weighted average number of shares 31 March 2013 Thousands**	**EPS 31 March 2013 Pence**	Earnings 31 March 2012 £'000	Weighted average number of shares 31 March 2012 Thousands	EPS 31 March 2012 Pence
Profit on ordinary activities after taxation attributable to ordinary equity holders	**604**	**14,917**	**4.1**	1,632	14,756	11.1
Weighted average number of shares under option	**—**	**275**	**(0.1)**	—	164	(0.2)
Diluted EPS	**604**	**15,192**	**4.0**	1,632	14,920	10.9

For the year to 30 September 2012

	Earnings 30 September 2012 £'000	Weighted average number of shares 30 September 2012 Thousands	EPS 30 September 2012 Pence
Profit on ordinary activities after taxation attributable to ordinary equity holders	3,297	14,833	22.2
Basic EPS	3,297	14,833	22.2

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

	Earnings 30 September 2012 £'000	Weighted average number of shares 30 September 2012 Thousands	EPS 30 September 2012 Pence
Profit on ordinary activities after taxation attributable to ordinary equity holders	3,297	14,833	22.2
Weighted average number of shares under option	—	209	(0.3)
Diluted EPS	3,297	15,042	21.9

Notes to the interim report continued

Unaudited results for the six months to 31 March 2013

5. Dividends

The Directors propose the payment of an interim dividend of 2.75p per share (2012 interim: 2.6p), payable on 26 July 2013 to shareholders on the Register on 12 July 2013. This dividend has not been accrued in these interim accounts. The dividend payment will be about £410,000.

	Six months to 31 March 2013 Unaudited £'000	Six months to 31 March 2012 Unaudited £'000	Year to 30 September 2012 Audited £'000
Ordinary dividends on equity shares			
Final dividend of 5.6p per ordinary share paid on 24 February 2012	**—**	830	830
Interim dividend of 2.6p per ordinary share paid on 27 July 2012	**—**	—	387
Final dividend of 5.9p per ordinary share paid on 15 March 2013	**880**	—	—
	880	830	1,217

6. Cash and cash equivalents

	Six months to 31 March 2013 Unaudited £'000	Six months to 31 March 2012 Unaudited £'000	Year to 30 September 2012 Audited £'000
Cash at bank and in hand	4,618	2,808	4,217

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

	Six months to 31 March 2013 Unaudited £'000	Six months to 31 March 2012 Unaudited £'000	Year to 30 September 2012 Audited £'000
Cash at bank and in hand	**2,580**	1,280	3,156
Short term deposits	**3,402**	3,169	2,252
Bank overdraft	**(1,364)**	(1,641)	(1,191)
	4,618	2,808	4,217

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made overnight, or longer periods of up to 12 months, depending on the foreseeable cash requirements of the Group, and earn interest at current market rates.

The fair value of cash and cash equivalents is £4.6m (31 March 2012: £2.8m).

At 31 March 2013, the Group has net overdraft facilities of £1.0m from Barclays Bank plc, which is due for renewal on 31 January 2014. Overdrawn accounts, in foreign currencies, totalled £1.4m at 31 March 2013, offset by cash and short term balances of £6.0m.

Corporate information

Board of Directors

Tudor Griffith Davies, B.Sc
Non-executive Chairman

Mark Cambridge, B.Sc
Chief Executive

Denis Gerald Wilson Mullan, B.Sc, FCA
Group Finance Director

David John Buffham
Independent Non-executive Director

Sir David Robert Macgowan Chapman Bt., DL, B Comm
Senior Independent
Non-executive Director

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