8 December 2020

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

Final Results for the year ended 30 September 2020 (audited)

Zytronic plc, a leading specialist manufacturer of touch sensors, announces its audited full year results for the period ended 30 September 2020.

Overview

- Group revenue of £12.7m (2019: £20.1m), primarily impacted by the Coronavirus pandemic, as previously announced
- Gross margin reduced to 20.1% (2019: 33.7%), impacted mainly by the exceptional costs of Furlough and restructuring, and lower sales of higher margin products
- Loss before tax of £0.4m (2019: profit of £3.1m)
- Basic (loss)/earnings per share of (1.8p) (2019: 16.8p)
- No dividend paid or proposed during the year (2019: 22.8p)
- Increased cash generation from operating activities at £3.2m (2019: £2.8m), predominantly driven by a reduction in working capital
- Closing net cash of £14.0m (2019: £13.1m)

Commenting on the outlook, Chairman, Tudor Davies said:

"Whilst we are only two months into the financial year, we have adjusted our operations to the lower levels of demand as it is likely to take several months for the Coronavirus vaccines to allow a return to more normal living and then further time for our customers to operate fully and sales to return."

It is intended that the Annual General Meeting will take place on 25 February 2021 at 9.30am. Notice of the AGM will be sent to shareholders with the annual report and accounts in due course.

Enquiries:

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Notes to Editors

Zytronic is a 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 system designers' specific 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 a number of GB and international granted patents.

Operating from a single site near Newcastle-upon-Tyne in the United Kingdom, Zytronic is relatively unique in the touch eco-system as it offers a complete one-stop solution from processing internally the form and factor of the glass substrates, assembles their touch overlay products to customers specific requirements, in environmentally controlled cleanrooms and develops the bespoke firmware, software and electronic hardware to link the interactive overlays to customer's integrated systems and products.

Further information on the Group can be found on the Company's corporate website www.zytronicplc.com, and additional information on the Company's technology and products is available at www.zytronic.co.uk

2020 Chairman's review

Introduction

As previously announced on 21 October 2020, the second half of the year has been severely affected by the Coronavirus pandemic, but the business has remained profitable for the year as a whole before exceptional costs, and our financial position remains strong with increased cash balances of £14.0m.

Results

The Group produced a small operating profit of £0.4m (2019: £3.0m) before exceptional costs of £1.4m and exceptional income of £0.5m, on much reduced revenues of £12.7m (2019: £20.1m) and a reported loss before tax for the year of £0.4m (2019: profit of £3.1m).

The exceptional costs and income relate to Furlough and redundancy with a reduction in headcount from 164 to 97 in the second half as we adjusted staffing levels to the lower levels of demand, as average monthly sales reduced from £1.2m in H1, to £0.8m in the last quarter.

The decline in revenues in the second half, when the Coronavirus pandemic started to bite, was across all sectors with significant declines and postponements from the larger Gaming and Financial customers, with Vending being the only sector to show an increase in second half sales. Further detail can be obtained in the Chief Executive Officer's statement.

Current trading

Sales are still running at similar levels to the last quarter of last year, but even at these low levels, the actions we took to reduce staff levels have enabled us to improve gross margins to close to historic levels, and with reduced overheads produce a positive EBITDA.

On the order front we have experienced some increase in enquiries and activity levels which is encouraging, although we would not expect any material change until the pandemic is under control.

Cash

Cash generation from operating activities was a positive £3.2m (2019: £2.8m), with virtually all the benefit coming from a reduction in working capital, and after payment of dividends of £2.4m relating to the final dividend from 2019, the cash position increased to £14.0m (2019: £13.1m).

Dividend

In May 2020 at the time of our Interim Results we explained that we should not pay a dividend and returns to shareholders should be deferred until there is a return towards normality.

Whilst at this stage there has not been a return to anywhere near to normal trading, we have managed and implemented a reorganisation, in the face of a severe downturn, with our cash balances remaining at a very high level.

The Board considers that a large proportion of these cash balances are surplus to current requirements, and it may be appropriate to distribute this surplus cash by a share buy back, and will seek shareholder approval for the requisite authorities at the next general meeting.

Outlook

Whilst we are only two months into the financial year, we have adjusted our operations to the lower levels of demand as it is likely to take several months for the Coronavirus vaccines to allow a return to more normal living and then further time for our customers to operate fully and sales to return.

Tudor Davies
Chairman
7 December 2020

2020 Chief Executive Officer's review

The information detailed provides insights into the key aspects of Zytronic Displays Limited ("ZDL"), our wholly owned operating subsidiary, that have influenced the reported trading performance over the fiscal year, drawing comparisons with the prior periods where applicable.

Coronavirus ("COVID-19")

The most dramatic bearing on the performance of the business over the course of the fiscal year has been the unprecedented effects of the COVID-19 global pandemic, the initial effects of which were felt as early as January. The early impact was seen in ordering patterns and material availabilities from Chinese and Asian suppliers, with the major operational impacts of COVID-19 on ZDL occurring from April onwards, making most data comparisons beyond that period non-meaningful.

At the time of the interim results announced on 12 May 2020, a number of comments were made regarding the effects that the COVID-19 pandemic had on the business up to April 2020; the mitigating actions which had been taken by management to minimise trading impacts, which included an early imposition of global travel restrictions, significant introduction of revised working practices to align with the required stringent social distancing measures and the utilisation of the government's Coronavirus Job Retention Scheme ("CJRS"), as the impacts of customer order deferrals and raw material supply constraints began to affect productive output and expected full year performance

As the second half of the year progressed, the effects of COVID-19 on the order input profile became ever more pronounced, particularly in the Gaming sector, due mostly to COVID-19 effects on the global casino industries and hence their supply chains (our customers). A restructuring of the business in late June was implemented to align with what at that time was considered to be the emergence of a new normal, which resulted in the termination of 17 UK employees across a number of disciplines by reason of redundancy.

The continuing suppression thereafter of both physical product markets and geographical regions due to COVID-19 and an expectation that the effects of which are very likely to continue at least through the first half of fiscal 2021, coupled with the expected conclusion of the CJRS, resulted in an additional restructuring across multiple departments in late September, the outcome of which was the termination of employment by reason of redundancy of a further 43 employees in the UK and the termination of the employment of one of our USA-based sales persons, to re-align costs within the business

Sales

Although the beginning of the fiscal year got off to a comparatively slow start, principally from a low level of order intake in the latter part of 2019, as demand from new Gaming projects was slower than anticipated, this recovered strongly thereafter with the order intake of Q2 being 15% higher than the same period in 2019 and resulted in an order book of £2.7m at 31 March 2020 (31 March 2019: £2.0m), providing in normal circumstances a solid base for the remainder of the year. However, as a consequence of the almost immediate and dramatic impacts of COVID-19 as detailed earlier, and the levels of order intake during Q3 of £1.9m and Q4 of £2.0m, sales for the year were significantly suppressed at £12.7m, compared with £20.1m in 2019, with the historical norm of a stronger performing H2 not being observed in 2020 with H1 and H2 contributing £7.4m and £5.3m respectively (2019 H1: £9.5m; H2: £10.6m), with H2 sales being 50% lower than those of H2 2019.

In comparison with 2019 it is therefore unsurprising that all of our major application markets have reported a year-on-year decline, the largest being Gaming which reduced by 51% (2020: £3.1m; 2019: £6.4m), followed by 45% in Vending (2020: £2.2m; 2019: £4.0m) due to the non-repeat of the Saudi Arabian rail ticketing machine project that significantly benefitted H2 2019 and 38% in Financial (2020: £3.8m; 2019: £6.2m), Signage was 6% lower (2020: £1.1m; 2019: £1.1m) and Industrial 4% (2020: £1.6m; 2019: £1.7m). However, when comparing the H2 results with those of H1, the level of decline is more pronounced with a decline of 67% for Gaming (H1 £2.3m; H2: £0.8m), 28% in Financial (H1: £2.2m; H2 £1.6m), 25% in Industrial (H1: £0.9m; H2: £0.7m) and 10% in Signage (H1: £0.6m; H2 £0.5m), whereas Vending actually performed better in H2 than H1, exhibiting 28% growth (H1: £1.0m; H2: £1.2m), mostly attributable to sales into the USA for fountain drink dispensing in H2.

Due to the changes in supplies to some upstream customers in the Gaming sector, UK sales were always expected to be dramatically reduced in 2020, which ultimately resulted in an increase in our export levels. Exports accounted for 96% of all invoiceable goods in 2020 (2019: 90%)

When evaluating ZDL's sales mix, several intrinsically linked factors have a significant and well-documented influence on both revenues and gross margin, primarily the number of touch sensor units produced and their mix based on size, shape and sensing technology formats, across the diverse set of applications and markets.

The volumes and respective revenue generated purely from touch sensors based on size range are presented in the table below.

	2020		2019		Variance	
Sensor Sizes	Units ('000)	Sales (£m)	Units ('000)	Sales (£m)	Units ('000)	Sales (£m)
Small (≤ 14.9")	19	1.3	30	1.6	(11)	(0.3)
Medium (15.0 - 29.9")	50	5.5	79	8.7	(29)	(3.2)
Large (≥ 30.0")	9	3.2	15	6.0	(8)	(2.8)
Total	78	10.0	124	16.3	(46)	(6.3)

Within the size ranges several shape and technology variants in the medium and large sensor categories are produced, where the sensors can be any combinations of either flat or curved and either PCT™ (single-touch) or MPCT™ (multi-touch) in functionality. Of the total units supplied, 14,000 units were of an MPCT™ configuration (2019: 17,000), of which 4,000 were of a curved format (2019: 7,000), the reductions being mainly attributed to the lower level of demand in Gaming,

Strategic sales and marketing initiatives
The strategic sales and marketing initiatives planned for 2020 had to significantly adjust due to COVID-19, which brought global sales travel and attendance at trade expos, to an almost immediate halt from March 2020 onwards.

Prior to the impact of COVID-19, the Group had continued to utilise trade expo attendance as its primary marketing initiative, having directly exhibited at G2E in Las Vegas in October 2019 and ISE in Amsterdam in February 2020. Indirectly through our various global partners we also had a presence at Digital Big Bank in Bangkok in October 2019, ICE London and Embedded World in Nuremburg in February 2020. Further direct expo participation was scheduled for DSE Japan and DSE in Las Vegas in April 2020, both of which were ultimately cancelled.

COVID-19 has had a very dramatic impact on trade expos across numerous industries, with several organisers having now gone into administration. ZDL will be re-evaluating this landscape once travel and attendance at such events is back to a more normal footing.

The lack of international travel has resulted in the need for an improved digital marketing presence, with a release of a refresh of both the ZDL and Zytronic plc websites being imminent. Further investment has been made into digital photography and video equipment to create an internal studio in support of product and innovation releases through the various ZDL social media channels, all being readily accessible alongside pertinent case studies, whitepapers and thought pieces at ZDL's website, viewable online at https://www.zytronic.co.uk.

Opportunities analysis
Due to the recognised, long maturation, project-based and bespoke nature of our business, the creation and monitoring of opportunities is critical to ongoing business performance. The procedure for the analysis of opportunities within ZDL has been well documented in prior years and we continue to utilise our tailored Customer Relationship Management ("CRM") system to manage their dynamically changing status from lead generation through "Enquiry", "Prospect" and "Project" status to production with only the sensitised data of "Projects" incorporated into our active quarterly forecasting model.

With the final key metric in determining "Project" status being high probability of productive success, it is unsurprising that as the second half of the year progressed, several key "Projects" were re-classified due to COVID-19 uncertainty and therefore the relative level of "Projects" is lower than at the start of the year. However, pleasingly the volume and value of total opportunities remain strong.

As at 30 September 2020, there were 557 opportunities in the system with a projected value of £67m, 36 classified as "Projects", which are expected to generate £2.5m of sales over their future production cycle. This compares with data as at 30 September 2019 of 494, £83m, 58 and £13.4m respectively.

Strategic research and development
The research and development team has crucially continued to innovate throughout the period especially in answering a key question that has inevitably arisen because of the COVID-19 pandemic regarding the physical nature of touching interactive surfaces.

A general market consideration in response to this is the proposition of surface protection. ZDL continues to work with and evaluate several material proposals that are either additive such as a coating or provided at source by the substrate manufacturer to prevent micro-organism growth and contagion viral load. Although very much in their infancy, equipment providers are hesitant to use such solutions whilst the cost delta is so high. Initial preference appears to be for contactless interactivity, which ZDL's engineers readily evolved using our proprietary hardware, firmware and manufacturing techniques. Several key customers are presently evaluating sample kits of our new ZYBRID®^{hover} solution that can detect interactions up to 30mm away from the surface of the sensor.

Another key interactive product development during the year, centering around advanced electronics and algorithm design, has been large format multi-monitor stacking to create immersive large surface area interactive video walls, where the physical no-touch border contact area must be minimal and the interactive movement between one monitor and those adjacent, indistinguishable. After showing a not-for-sale concept at the ISE show, a more formal product launch had been originally planned of ZYBRID®^{edge} at DSE in Las Vegas prior to its cancellation.

Under development and in conjunction with Cohda Design Ltd is the use of our knowledge for the lamination and processing of metallised transparent coatings to provide clear glazed products to be brand marketed as electroglasZ™ to which various powered devices can be fitted without the need for any obtrusive cabling, such as in lighting structures for museum cabinetry, etc.

Operations
Over the course of the second half of 2020, the productive labour headcount has been dramatically affected by the impacts of COVID-19. At the start of the year, the direct productive labour headcount stood at 98 persons, which at the time of reporting on the 2019 preliminary results in December 2019 had been temporarily reduced by 15, all of which had returned by February 2020, at which point we were actively looking to recruit

as the order book began to significantly recover. However, with the impact of COVID-19 shortly thereafter, the productive headcount was reduced, initially by the utilisation of the CJRS and subsequently by reason of redundancy. Over the H2 period the average direct productive headcount was 46 persons.

We have protected the three active apprentice training schemes covering technical, quality and maintenance roles during the period, albeit by placing them on furlough under the CJRS.

Another operational concern during the COVID-19 H2 period was the potential impact to process yields over the period due to the significant reduction in manpower as internal control processes and efficiencies were inevitably stretched. Whilst we did see a 4% decline when comparing H2 against H1, pleasingly the year in total did exhibit an 11% improvement against that achieved over 2019, predominantly due to the reduction in the volume of the complex product shapes and designs produced.

BREXIT

With the ongoing uncertainty around BREXIT, the Group is continuing to assess its position around the supply of raw materials into it, to ensure that production is not impacted by any delays at borders. All of our EU sales at present are on an EXW basis which passes control for transportation to the customer and so we should see no impact on this side of the business in terms of revenue recognition. We have assessed our internal resources and feel that we are in a strong place to cope with any changes as they occur, particularly as we have been a global exporter for many years.

Finally, I would like to conclude the review by thanking all ZDL employees for their understanding and valued contribution to the business over the course of this unprecedented and difficult period and for their continuing commitment to ZDL.

Mark Cambridge
Chief Executive Officer
7 December 2020

2020 Financial review

Financial Review
The financial results for the year have been significantly impacted by the global COVID-19 pandemic due to the Group serving a worldwide customer base, with a number of customers and suppliers forced into closure at some point. Whilst the Group continued to operate throughout the UK lockdown, its operations have been significantly impacted which has driven the reporting period to a loss before tax of £0.4m (£2019: profit before tax of £3.1m).

Group revenue
Total Group revenue for the year decreased by £7.4m to £12.7m (2019: £20.1m), with H2, which in normal times is usually stronger than H1, being wholly impacted by the COVID-19 pandemic with revenue of £5.3m compared to £7.4m in the first half (2019: H1: £9.5m; H2: £10.6m). The decline is as a result of a number of our customers being closed and, hence, delaying orders that had been scheduled for delivery or postponing the placing of new orders. The Chief Executive Officer's review highlights this in more detail.

Gross margin
Reported gross margin for the year ended 30 September 2020 was 20.1% (2019: 33.7%) as a result of the following:

- The Group utilised the government's CJRS scheme from April 2020 onwards in order to align headcount with output. In previous periods where revenue has been lean the Group would have instead initiated a lay-off situation, as it did in the December 2019 through January 2020 period. The CJRS support enabled the Group to protect the employment of certain personnel over the year. However, the Group also had to undertake restructuring exercises as it managed the changing landscape and became more aware that revenues were still a long way off returning to normal and that the CJRS in its earlier form was to be discontinued. These restructurings were initiated in June and September with subsequent redundancies made in early July and late October and early November. These exceptional costs of both running the CJRS and the restructuring totalled £1.1m and 9% of margin and are included in the year-end numbers.
- The Group also saw an 8,000-unit volume drop in its larger format sensors over the year, over a number of customers, particularly Gaming, and which are higher margin products for the Group.

The underlying gross margin for the year was 28.9% (2019: 33.7%).

Group trading
Group trading in the year fell to a reported loss of £1.0m (2019: profit of £3.0m), wholly as a result of the reduced levels of sales. Distribution costs fell by £0.2m to £0.2m (2019: £0.4m) as a result of fewer sales where the Group is responsible for the costs of carriage. Administration costs also declined by £0.2m over the year to £3.3m (2019: £3.5m) despite the costs of restructuring and the CJRS scheme totalling £0.3m. Due to the impacts of the COVID-19 pandemic the Group unfortunately also had to undertake restructuring within its administration personnel. The cost benefits arising from this restructuring will be reflected in the financial year 2021 in both margin and administration expenses. The Group-wide travel ban that was imposed earlier in the year also helped to save costs and contracts for necessary business expenditure were also renegotiated where possible to make further savings over the financial year.

The underlying Group trading position was a profit of £0.4m (2019: £3.0m).

Exceptional other income
The Group benefited from government support during the year of £0.5m (2019: £Nil) for employees who were furloughed under the CJRS and for our US personnel under the Paycheck Protection Programme ("PPP"). The CJRS grant provided for support for 80% (up to a cap) of employees' wage costs with the Group paying the employer national insurance and pension contributions (increased as a consequence of operating a salary

sacrifice pension scheme). The PPP scheme provided support for the salary costs of the employment of the US employees.

Tax
The tax credit arising on the loss before tax totals £0.1m (2019: charge of £0.4m). The Group is proposing to apply for backwards relief to recover cash paid against the prior year.

Loss/earnings per share
The issued share capital of 16,044,041 ordinary shares of 1.0p has remained constant over the year with the associated LPS being 1.8p (2019: EPS of 16.8p).

Dividend
In the first half of the year the Group paid a final dividend for 2019 of 15.2p per share totalling £2.4m of cash (2019 total dividend: £3.7m). The Directors proposed at the time of the interims that the Group would not pay an interim dividend for the financial year 2020 due to the uncertainty arising from the COVID-19 pandemic. The Directors maintain this position as at the year end.

Capital expenditure
The Group continued to make capital investments over the year totalling £0.4m compared to £0.6m in the previous year. £0.2m was spent on internal R&D over a number of new innovative products and £0.2m was also spent on tangible acquisitions for replacement and enhancement of plant and machinery. Depreciation and amortisation for the year was the same as last year at £1.2m (2019: £1.2m).

Cash and debt
The Group announced in last year's annual results that it was undertaking a strategic review of its operations to improve future returns for shareholders and, as part of that review, the subject of the appropriate level of future distributions compared with earnings and cash resources. Work continued into H1 with regard to that review but was postponed as the COVID-19 pandemic began to impact. The Directors are continuing to assess this situation and will advise shareholders accordingly.

Despite the earlier noted problems arising from the COVID-19 pandemic the Group has generated an increase to net cash over last year of £0.9m to £14.0m (2019: £13.1m). The reduction to working capital over the year of £3.2m has helped this position arise. Debtors decreased by £2.4m over the period as a result of not only lower revenues but also excellent cash collection despite some customers being temporarily closed, with no bad debts occurring. Stocks also reduced by £0.7m despite there being a large volume of committed purchase orders in place at the end of H1, which filtered into the business over H2 where delays were not possible. Creditors increased over the period by £0.1m with trade payables reducing but the decrease being offset by an increase arising from the provision for restructuring that was initiated in September of £0.6m.

Cashflow used in investing activities was £0.3m (2019: £0.6m), primarily due to the costs of investment in capital expenditure of £0.4m. Cashflow used in financing activities was £2.0m, with the payment of the 2019 final dividend of £2.4m offsetting the receipt of the government grants of £0.5m (2019: £3.7m).

The Group maintains an overdraft facility, 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 four months ahead to correspond with its working capital policies and currency requirements.

2020 Financial review

The Group remains debt free and opted not to consider the government's Coronavirus Business Interruption Loan Scheme ("CBILS") due to it having a significant cash position. The Group is also in a position of receiving VAT refunds and so could not utilise the deferment of VAT payments that were available to it under the government scheme.

Despite the ongoing uncertainty the Group remains in a strong financial position for the year ahead.

Claire Smith
Group Finance Director
7 December 2020

Consolidated statement of comprehensive income

For the year ended 30 September 2020

	Notes	2020 £'000	2019 £'000
Group revenue	3	**12,680**	20,104
Cost of sales		**(10,130)**	(13,311)
Cost of sales excluding exceptional items		**(9,015)**	(13,311)
Exceptional items	4(a)	**(1,115)**	—
Gross profit		**2,550**	6,793
Distribution costs		**(196)**	(350)
Administration expenses		**(3,318)**	(3,462)
Administration expense excluding exceptional items		**(3,060)**	(3,462)
Exceptional items	4(b)	**(258)**	—
Group trading (loss)/profit		**(964)**	2,981
Exceptional other income	5	**500**	—
Group operating (loss)/profit		**(464)**	2,981
Finance revenue		**41**	76
(Loss)/profit before tax		**(423)**	3,057
Tax credit/(expense)	6	**129**	(366)
(Loss)/profit for the year		**(294)**	2,691
Other comprehensive income		**—**	—
Total comprehensive (loss)/income		**(294)**	2,691
(Loss)/earnings per share			
Basic	8	**(1.8p)**	16.8p
Diluted	8	**(1.8p)**	16.8p

All profits are from continuing operations.

Consolidated statement of changes in equity
For the year ended 30 September 2020

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 October 2018	160	8,994	17,611	26,765
Profit for the year	—	—	2,691	2,691
Dividends	—	—	(3,658)	(3,658)
At 1 October 2019	160	8,994	16,644	25,798
Loss for the year	—	—	(294)	(294)
Dividends	—	—	(2,439)	(2,439)
At 30 September 2020	**160**	**8,994**	**13,911**	**23,065**

Consolidated statement of financial position

At 30 September 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Intangible assets		**1,043**	1,299
Property, plant and equipment		**5,820**	6,385
		6,863	7,684
Current assets			
Inventories		**2,332**	3,034
Trade and other receivables		**1,888**	4,127
Cash and short term deposits		**14,038**	13,143
		18,258	20,304
Total assets		**25,121**	27,988
Equity and liabilities			
Current liabilities			
Trade and other payables		**591**	962
Derivative financial liabilities		**—**	21
Provisions		**582**	—
Accruals		**376**	499
Government grants		**27**	—
Tax liabilities		**—**	192
		1,576	1,674
Non-current liabilities			
Deferred tax liabilities (net)		**480**	516
		480	516
Total liabilities		**2,056**	2,190
Net assets		**23,065**	25,798
Capital and reserves			
Equity share capital		**160**	160
Share premium		**8,994**	8,994
Retained earnings		**13,911**	16,644
Total equity		**23,065**	25,798

Consolidated cashflow statement

For the year ended 30 September 2020

	2020 £'000	2019 £'000
Operating activities		
(Loss)/profit before tax	**(423)**	3,057
Finance income	**(41)**	(76)
Depreciation and impairment of property, plant and equipment	**718**	726
Amortisation, impairment and write-off of intangible assets	**457**	430
Amortisation of government grant	**(442)**	(15)
Fair value movement on foreign exchange forward contracts	**(21)**	14
Working capital adjustments		
Decrease/(increase) in inventories	**702**	(13)
Decrease/(increase) in trade and other receivables	**2,360**	(389)
Increase/(decrease) in trade and other payables and provisions	**88**	(742)
Cash generated from operations	**3,398**	2,992
Tax paid	**(220)**	(238)
Net cashflow from operating activities	**3,178**	2,754
Investing activities		
Interest received	**41**	71
Payments to acquire property, plant and equipment	**(153)**	(506)
Payments to acquire intangible assets	**(201)**	(144)
Net cashflow used in investing activities	**(313)**	(579)
Financing activities		
Dividends paid to equity shareholders of the Parent	**(2,439)**	(3,658)
Receipt of government grants	**469**	—
Net cashflow used in financing activities	**(1,970)**	(3,658)
Increase/(decrease) in cash and cash equivalents	**895**	(1,483)
Cash and cash equivalents at the beginning of the year	**13,143**	14,626
Cash and cash equivalents at the year end	**14,038**	13,143

Notes to the consolidated financial statements

1. Basis of preparation

The preliminary results for the year ended 30 September 2020 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 2020. 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 2019 have been filed with the Registrar of Companies. The statutory accounts for the year ended 30 September 2020 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 IFRS as adopted by EU standards, 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 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.

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 2020		30 September 2019	
	Touch	**Non-touch**	Touch	Non-touch
	£'000	**£'000**	£'000	£'000
Sale of goods – Americas (excluding USA)	**154**	**31**	300	23
– USA	**2,419**	**175**	3,152	257
– EMEA (excluding UK and Hungary)	**3,513**	**239**	5,735	223
– Hungary	**1,263**	**223**	1,718	172
– UK	**316**	**241**	1,609	455
– APAC (excluding South Korea)	**918**	**89**	1,883	174
– South Korea	**2,956**	**143**	4,327	76
	11,539	**1,141**	18,724	1,380
Total revenue	**12,680**		20,104	

Individual revenues from three major customers exceeded 10% of total revenue for the year. The total amount of revenue was £5.2m (2019: £9.7m).

The individual revenues from each of these three customers were: £1.9m (2019: £3.5m); £1.9m (2019: £2.4m); and £1.4m (2019: £3.8m).

Notes to the consolidated financial statements

4. Exceptional costs
(a) Cost of sales

	30 September 2020 £'000	30 September 2019 £'000
Costs of restructuring	**652**	–
Costs of Furlough	**463**	–
Total exceptional costs	**1,115**	–

These charges have arisen as a direct result of the COVID-19 impact on the Group whereby restructuring was necessary to align headcount with operations.

(b) Administration expenses

	30 September 2020 £'000	30 September 2019 £'000
Costs of restructuring	**144**	–
Costs of Furlough	**114**	–
Total exceptional costs	**258**	–

These charges have arisen as a direct result of the COVID-19 impact on the Group whereby restructuring was necessary to align headcount with operations.

5. Exceptional other income

	30 September 2020 £'000	30 September 2019 £'000
Grant monies received	**500**	–
Total grant monies received	**500**	–

The income received and accrued as above is as a result of claims made under the CJRS for when personnel were on Furlough leave.

6. Tax

	30 September 2020 £'000	30 September 2019 £'000
Current tax		
UK corporation tax	**(92)**	420
Tax due on foreign subsidiary	**2**	2
Corporation tax over-provided in prior years	**(4)**	(10)
Total current tax (credit)/charge	**(94)**	412
Deferred tax		
Origination and reversal of temporary differences	**(108)**	(46)
Movement related to change in tax rates	**60**	–
Movement related to prior year adjustments	**13**	–
Total deferred tax credit	**(35)**	(46)
Tax (credit)/charge in the statement of comprehensive income	**(129)**	366

Notes to the consolidated financial statements

Reconciliation of the total tax (credit)/charge
The effective tax rate of the tax credit in the statement of comprehensive income for the year is 30% (2019: charge of 12.0%) compared with the average rate of corporation tax charge in the UK of 19% (2019: 19%). The differences are reconciled below:

	30 September 2020 £'000	30 September 2019 £'000
Accounting (loss)/profit before tax	**(423)**	3,057
Accounting (loss)/profit multiplied by the average UK rate of corporation tax of 19% (2019: 19%)	**(80)**	581
Effects of:		
Expenses not deductible for tax purposes	**1**	1
Depreciation in respect of non-qualifying items	**19**	22
Enhanced tax reliefs – R&D	**(140)**	(147)
Enhanced tax reliefs – Patent Box	—	(70)
Effect of deferred tax rate reduction and difference in tax rates	**60**	(13)
Tax under/(over)-provided in prior years	**9**	(10)
Tax due on foreign subsidiary	**2**	2
Total tax (credit)/expense reported in the statement of comprehensive income	**(129)**	366

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.

There are no tax losses to carry forward at 30 September 2020 (2019: £Nil).

The main rate of corporation tax in the UK has been in force since 1 April 2017. A reduction in the rate to 17% effective from 1 April 2020 was substantively enacted before the prior year's statement of financial position date, and was applied to the deferred tax assets and liabilities as at September 2019. In March 2020, the reduction in the rate was cancelled and therefore the main rate of corporation tax has remained at 19% throughout the period ended 30 September 2020. The 19% rate has been applied to deferred tax assets and liabilities arising at the statement of financial position date.

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. Consequently, Patent Box claims have been made for 2014 to 2019 accounting periods, and the 2020 benefit has been estimated.

7. Dividends

The Directors propose no payment of a dividend for this year's results.

	30 September 2020 £'000	30 September 2019 £'000
Ordinary dividends on equity shares		
Final dividend of 15.2p per ordinary share paid on 22 February 2019	—	2,439
Interim dividend of 7.6p per ordinary share paid on 19 July 2019	—	1,219
Final dividend of 15.2p per ordinary share paid on 7 February 2020	**2,439**	—
	2,439	3,658

Notes to the consolidated financial statements

8. (Loss)/earnings per share

Basic LPS/EPS is calculated by dividing the (loss)/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 LPS/EPS arising from total operations and LPS/EPS arising from continuing operations.

	Loss 30 September 2020 £'000	**Weighted average number of shares 30 September 2020 Thousands**	**LPS 30 September 2020 Pence**	Earnings 30 September 2019 £'000	Weighted average number of shares 30 September 2019 Thousands	EPS 30 September 2019 Pence
(Loss)/profit on ordinary activities after tax	**(294)**	**16,044**	**(1.8)**	2,691	16,044	16.8
Basic LPS/EPS	**(294)**	**16,044**	**(1.8)**	2,691	16,044	16.8

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

	Loss 30 September 2020 £'000	**Weighted average number of shares 30 September 2020 Thousands**	**LPS 30 September 2020 Pence**	Earnings 30 September 2019 £'000	Weighted average number of shares 30 September 2019 Thousands	EPS 30 September 2019 Pence
(Loss)/profit on ordinary activities after tax	**(294)**	**16,044**	**(1.8)**	2,691	16,044	16.8
Weighted average number of shares under option	**–**	**–**	**–**	–	–	–
Diluted LPS/EPS	**(294)**	**16,044**	**(1.8)**	2,691	16,044	16.8