ZYTRONIC

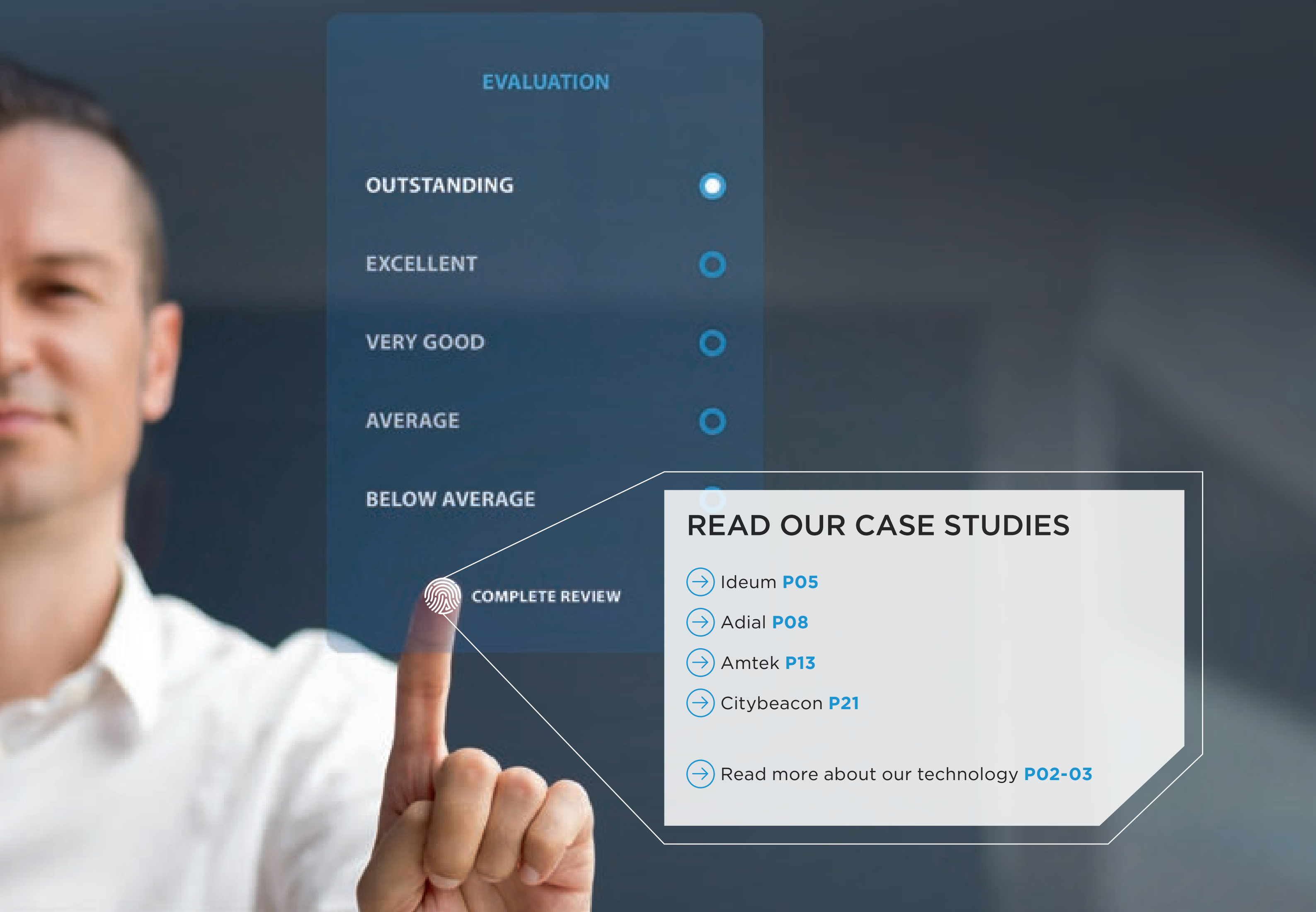
# At the forefront of touch technology...

**Zytronic plc**
Annual Report and Financial Statements 2017

# Enhancing our touchscreen opportunities and expertise

The Zytronic range of interactive touch sensing overlay products is based upon our internationally award-winning projected capacitive technologies. We develop and manufacture highly durable and adaptable sensors in a near limitless range of shapes and sizes, ideally suited for the most demanding self-service, industrial and public-facing interactive systems.

Unlike the majority of other touch technologies, the active component of Zytronic's technology is embedded behind the glass front for protection, providing a true safety laminated, pure-glass fronted construction. Cutting edge, durable and reliable, Zytronic, its technologies and its products put the world at your fingertips.




## READ OUR CASE STUDIES


- Ideum **P05**
- Adial **P08**
- Amtek **P13**
- Citybeacon **P21**

- Read more about our technology **P02-03**

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Find out more about us and watch our video at **www.zytronic.co.uk**

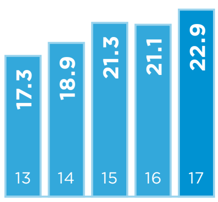
# OVERVIEW

- Significant improvement in Group trading profits to £5.4m (2016: £4.3m)
- Strong cash generation from operating activities of £4.7m (2016: £5.6m)
- Final dividend increased by 39% to 15.2p (2016: 10.96p), bringing total dividends for the year to 19.0p (2016: 14.41p), up 32% year-on-year and the fourth successive year of double-digit dividend growth
- Touch sensor units sold increased to 138,000 units (2016: 130,000 units) with large sensors > 30" increasing to 18,000 units (2016: 14,000)
- Basic earnings per share increased to 29.0p (2016: 26.6p)

# FINANCIAL OVERVIEW

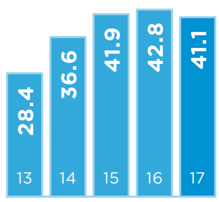
**Group revenue (£m)**

£22.9m +9%



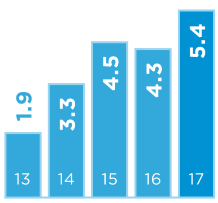

**Gross profit margin (%)**

41.1% -4%



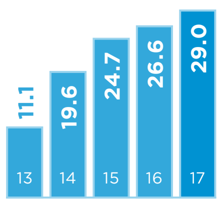

**Profit before tax (£m)**

£5.4m +27%



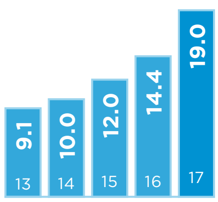

**Earnings per share (p)**

29.0p +9%



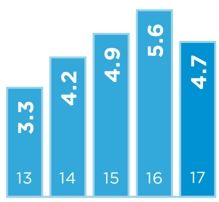

**Dividends (p)**

19.0p +32%




**Cash generated from operating activities (£m)**

£4.7m -16%



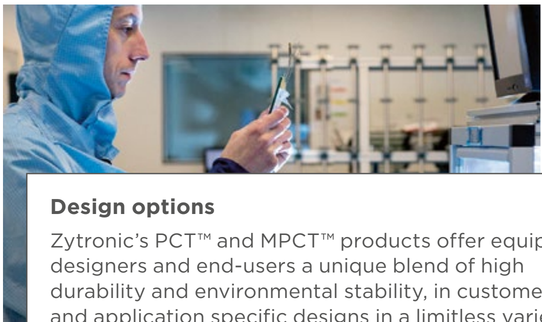
At a glance

# WHY WE ARE AT THE FOREFRONT OF TOUCH TECHNOLOGY

## EXCELLENCE IN MANUFACTURING...

### Diverse product range

Since the turn of the century, Zytronic has concentrated on the development and marketing of its range of interactive touch sensor products based upon its unique projected capacitive technologies (PCT™ and MPCT™), to industrial, public access and self-service equipment designers and end-users, in market areas such as Financial, Retail, Leisure, Digital Signage, Industrial, Medical, etc.



### Design options

Zytronic's PCT™ and MPCT™ products offer equipment designers and end-users a unique blend of high durability and environmental stability, in customer and application specific designs in a limitless variety of shapes, sizes, thicknesses, strengths, colours, etc., and capable of use in any location.

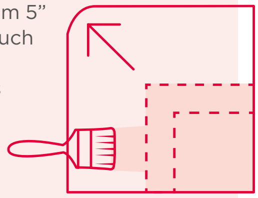
### Location

The Group is headquartered and operates from three modern factories totalling 80,000ft², which are all located on a single site in the United Kingdom.

## DESIGN

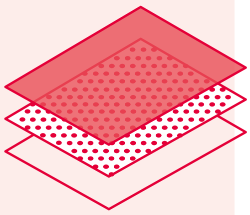
### Any shape and size

Precisely tailored to meet our customers' specific application, we help create a unique touchscreen interface design, with a near limitless range of shapes and sizes to fit any display from 5" to over 85", and incorporating features such as curved glass, cut and drilled holes or slots, custom printed borders and logos in almost any colour imaginable – all manufactured in our state-of-the-art, semi-conductor grade clean rooms so our customers can be assured of clarity and quality.



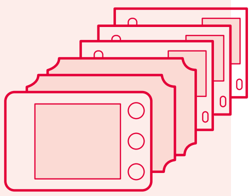
### Variety of materials

Our projected capacitive touch sensors can be supplied in a wide variety of glass types. Our patented touch technology is also available in rollable films for self-application. Furthermore, with its incredibly sensitive touch detection, our products can also be specified in a wide range of glass thicknesses and strengthening treatments, from 1mm to well over 20mm, to meet requirements for high impact resistance.



### Flexible quantities

We understand that our customers' projects may require one touchscreen or thousands, and that demand can fall and rise. For that reason, we do not have a "minimum order quantity" as our unique manufacturing process is flexible enough to support new self-service or commercial touchscreen projects from prototyping to mass production, and through the ups and downs of its life cycle.



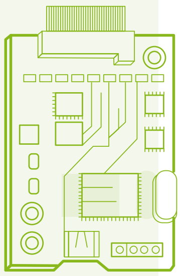
Read more about our markets **P09**
Read our business model **P10–11**

## … PROVIDING QUALITY DESIGN, SERVICE AND PERFORMANCE

### SERVICE

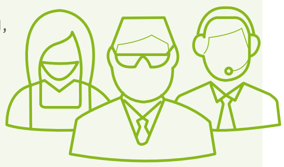
**Leaders in touch control electronics**

We are unique in the industry – designing our own touch controllers, writing our own proprietary touch detection firmware and developing our own ASICs. This means we have created electronics and software specifically to meet the requirements of our customers' self-service applications and our customers can rest safe in the knowledge that we "own" the full solution.

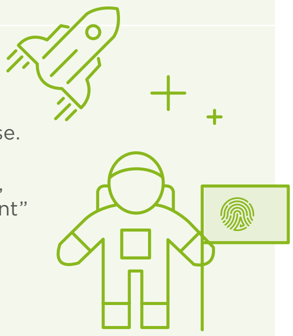


**An experienced team**

With well over half a century of glass processing and laminating experience, over 15 years of developing our own touch controllers and comprehensive in-house manufacturing facilities that we are constantly investing in and improving, we are one of the only touchscreen companies in the world who can be trusted to help take our customers' vision to reality and keep our customers ahead of their competition.



**Pushing touch to the limit**



We love projected capacitive touch sensing! In fact, we coined the phrase. From "force sensing" to "object recognition" touch control firmware, or from curved to "explosion resistant" touchscreens, we constantly strive to be ahead of the trends and bring our customers the most up-to-date advancements in touch technology.

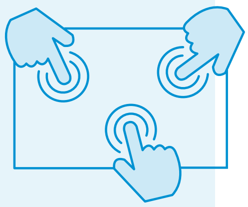
### PERFORMANCE

**Durable and reliable**

Our products are unaffected by the presence of dirt, water, dust and scratches on the surface, which when coupled with the ability of our touch technologies to operate through very thick glass, plus in-house toughening facilities, enable us to create sensors capable of withstanding incredible levels of abuse. This means our customers can rest assured that their touchscreen systems are going to have the highest levels of reliability.

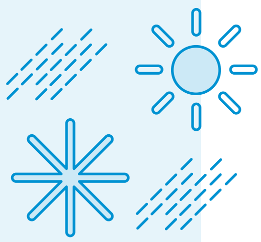
**Accurate and responsive**

Thanks to our state-of-the-art custom-designed touch control electronics, Zytronic touch sensors can detect 40 or more simultaneous touches a few millimetres apart, tracking in millisecond-level lightning-quick time, through thick laminated glasses, gloved hands and even other non-conductive materials such as wood, plastic and ceramics.



**In any location**

For nearly two decades our projected capacitive touch technologies have proven unparalleled ability to work reliably in the most demanding environments and applications – from supervised indoor to unattended outdoor positions, and from climates ranging from the heat of the Saudi Arabian summer to the cold of a Siberian winter.



Chairman's statement

# INCREASE IN ANNUAL DIVIDEND OF 32%

We are pleased to announce the results for the year ended 30 September 2017, which show continuing growth in revenues, profits and cash generation and a 39% increase (2016: 24%) in the final dividend, resulting in an overall dividend increase of 32% (2016: 20%) for the year.

## Results

Revenues for the year ended 30 September 2017 increased 9% to £22.9m (2016: £21.1m), profit before tax increased 27% to £5.4m (2016: £4.3m), with profit after tax increasing to £4.6m (2016: £4.1m) and basic earnings per share increasing to 29.0p (2016: 26.6p).

The growth in revenues during the year has primarily arisen from an increase in further projects for the gaming market, with the growth driven by large format touch sensors. A fuller explanation of the strategic sales and marketing initiatives and opportunities are covered in the CEO's Operational review later in this report.

Cash generation from operating activities for the year ended 30 September 2017 is £4.7m (2016: £5.6m), from which we invested £1.1m (2016: £0.8m) in research and development and capital expenditure. The Group also received £1.2m (2016: £0.2m) from the proceeds of share options and made a final payment of £1.1m (2016: £0.2m) on its property loan before the dividend payments of £2.4m (2016: £1.9m), resulting in a net increase in year-end cash balances of £1.3m to £14.1m (2016: £2.9m to £12.8m).

## Dividend

The Directors are pleased to propose a final dividend of 15.2p (2016: 10.96p), payable on 9 March 2018 to shareholders on the register on 23 February 2018, which increases the total dividend for the year by 32% to 19.0p (2016: 14.41p) and brings the dividend increase over the last five years to 124%.

*"The current year has started with orders, revenues and trading along similar levels to that of the prior year, which, together with our strong balance sheet and cash generation, provides a sound base for further growth in dividends and shareholder value."*

## Outlook

The current year has started with orders, revenues and trading along similar levels to that of the prior year, which, together with our strong balance sheet and cash generation, provides a sound base for further growth in dividends and shareholder value. The focus on growth this year will be from expansion in local sales representation in the USA and the Far East, and we shall keep shareholders updated on the progress, and any material developments, over the course of the year.

**Tudor Davies**
Chairman
11 December 2017

Our strategy **P12-13**

Sustainability **P18-19**

Operational review

# ENHANCING EVERY ASPECT OF DAILY LIFE

## IDEUM – SMITHSONIAN INSTITUTION

### Zytronic powers new exhibit at the National Air and Space Museum of the Smithsonian Institution in Washington, D.C.

Zytronic has supplied an 84" diagonal touch sensor to the National Air and Space Museum of the Smithsonian Institution ("NASM") for inclusion in a recently unveiled exhibit. The museum – which displays the world's largest collection of aircraft and spacecraft – welcomes 6.7m visitors annually, making it the fifth most visited museum in the world.

New Mexico-based Ideum was tasked with updating one of the museum's most heavily used exhibits – a touch-interactive table that enables visitors to design, customise and launch space station modules of their own creation. Ideum engineered an 84" touch table and chose to use Zytronic's touch sensor because it could be built to Ideum's exacting specifications, and was able to deliver the multi-touch capabilities required to support simultaneous use by up to six visitors.

The ZyBrid® touch sensor was designed using 6mm-thick thermally toughened anti-glare etched glass, providing a combination of smooth "finger glide" interactivity and impact resistance, and the Ideum table was manufactured in powder coated aluminium for additional durability.

| Location: | Market: | Application: |
|---|---|---|
| **USA** | **Signage** | **Table** |

# STRONG SALES OF TOUCH SENSOR PRODUCTS

The following provides insights into the sales and marketing initiatives and the strategic programmes undertaken by Zytronic's research and development department during the year and the consequential sales output profile.

## Strategic sales and marketing initiatives

We continued to sell our products to customers around the world in two ways: directly, sometimes with the assistance of commissioned manufacturers' representatives and agents; and indirectly, via franchised distributors and value-added resellers ("VARs"). Collectively, we refer to these agents, distributors and VARs as our sales channel partners.

In 2017, we made several changes to our global network of sales channel partners whilst increasing regionally our direct sales function. At the end of the fiscal period we had 13 regional agreements covering North, Central and South America ("AMERICAS"), twelve across Asia Pacific ("APAC") and 13 spanning various European, Middle Eastern and African countries ("EMEA"). Additionally, we had two global distribution agreements, with Future Electronics and the Quixant group respectively.

- In the AMERICAS, we terminated three underperforming agents and appointed a new representative in the Southeastern USA. In addition, to strengthen the direct sales presence of Zytronic Inc., we completed the recruitment of an industry and market experienced US national, based in Austin, TX, to the position of director of sales for the region.
- In the APAC region, we appointed two further distributors in Japan and increased our direct presence in the country, retaining a Tokyo-based full-time business development manager under contract. We also expanded the responsibility of our Taipei-based business development manager, to include countries in Southeast Asia.
- In the EMEA region, we appointed a new distributor for Switzerland and Austria.

Entering the new fiscal year, we have commenced a review on the recruitment of a sales support engineer for the APAC region, most likely to be based in Japan. We are also working to increase our sales channel partner network in Western Europe and the USA, with new agent and VAR appointments expected. Additionally, we are presently planning to increase our direct sales team in the USA in the second half of the year.

Our 2017 marketing strategy in support of sales activities focused on increasing our profile in European, American and Asian trade publications and key vertical markets. In addition, we have expanded our digital and social media presence, releasing online a new "factory tour" video to highlight our unique capabilities in the touch ecosystem and the competitive benefits we bring to customers. We also participated in several application specific global trade events, including Electronica (the large German electronics fair in November 2016), C-Touch in Shenzhen, China, in the same month, the Integrated Systems Europe ("ISE") expo in February 2017 in Amsterdam and the USA-focused Digital Signage Expo ("DSE") in March 2017. Indirectly, products were also well represented at a number of tradeshows by distributors and customers, such as the ICE Totally Gaming Expo in London during January 2017, the Society of Information Displays ("SID") Display Week and the Infocomm Expo during June 2017 in the USA.

## Strategic research and development

The primary emphasis of the research and development team throughout 2017 was the continued development of our MPCT™ capabilities and the requirements of the developing Zytronic Application Specific Integrated Chip ("ASIC"). Initial approval samples of the designed ASIC were received in late January 2017, followed by several months of in-house approval and compliance testing. In May 2017, we provided approval and the order to build and supply an initial 24,000 ASICs. Supply of production chips is expected around December 2017. A new family of controllers incorporating the ASICs has been designed along with new bespoke firmware, which will be released under the controller family designation series ZXY500 early in the new calendar year.

Other significant development work undertaken during the year has been around new material considerations as an alternative to the micro-fine sensing wires generally employed in Zytronic PCT™ and MPCT™ sensors including, but not limited to, the collaboration work undertaken on the Hi-Response European-funded H2020 project.

Further GB patent applications were initiated in the period on Zytronic's shape recognition technology and our ability to put physical holes in and through the active sensing area of our glass sensors without functional detriment to the sensing and interactivity around the physical hole, both being reliant on the unique capabilities of our patented MPCT™ sensing.

## Sales

The business showed an improved trading performance over that of the previous year, with total revenues of £22.9m (2016: £21.1m). Total export revenues as measured by Zytronic, being the location of the companies where we invoice products, were £19.9m (2016: £20.0m), with the slight reduction a consequence of the as expected drop in legacy display product revenues.

The revenues of legacy display products were £2.3m (2016: £2.9m). Although a number of factors contributed to the decrease, by far the two most significant were the £0.2m of non-recurring revenues from the completion in 2016 of the curved gaming display unit project in Korea and a further £0.2m reduction in global ATM display revenues to £1.4m (2016: £1.6m).

Revenues generated by sales of our touch products were £2.4m higher than the prior year at £20.6m (2016: £18.2m). The significant growth in revenues came from invoiced UK sales for the Gaming market, where product is almost immediately shipped by our customer to other international locations for integration with displays and gaming machines. Exported touch product revenues showed growth to £18.0m from £17.6m, with EMEA and the AMERICAS regions each growing by £0.3m to £7.0m and £0.2m to £3.8m respectively, whilst APAC reduced by £0.1m to £7.2m.

Touch revenues are inherently linked, not only to the number of touch sensors produced, but more substantially to the mix of the sensor sizes, as large format units carry an obvious higher price premium. The total number of sensor units supplied increased to 138,000 (2016: 130,000) and the table below illustrates the split of sensor sizes and their relative movement from the prior year.

In large format sensors, the contributory volume of curved units remained steady at 9,000 units year on year, with the growth coming from flat units for new gaming projects. With the release in the latter half of 2016 of the newer ZXY150 series of MPCT™ controllers in support of medium sizes, we saw growth in the total number of MPCT™ products supplied to 12,000 units (2016: 11,000 units).

## Touch application markets

For the first time, Financial was not our top revenue-generating touch application market, with Gaming taking the top spot. Gaming continued to show considerable strength and growth in both units produced at 20,000 (2016: 13,000) and revenues generated, contributing £7.7m (2016: £5.9m), as new UK (predominantly) and Asian invoiced PCT™ and MPCT™ projects moved into production. Financial, with total unit volumes reducing by 4,000 to 50,000, as the continued effects of supplier consolidation and reported saturation of mature geographic markets were observed, moved into second place contributing £6.3m (2016: £6.4m).

Vending, although our second highest market in terms of unit volumes produced at 35,000 units (2016: 24,000 units), remained our third market in terms of revenue at £3.3m (2016: £2.6m), with benefits coming from drinks, fuel and parking management systems in the USA, Korea and Germany respectively. However with the expected redesign of the next generation Freestyle® drinks dispenser in 2018, resulting in a less durable and functional touch solution requirement, we expect the requirements of the existing design to reduce as the project moves towards end-of-life (“EOL”).

The Industrial market, which saw a 3,000-unit reduction in small sensors sold (2016: 12,000 units), but a 1,000-unit increase in medium and larger sensors (2016: 7,000 units), showed an increase in the revenues generated to £1.8m (2016: £1.4m) predominantly through new opportunities generated by our Italian channel partner. This was countered by a decline in the Signage market to £0.8m (2016: £1.0m), in which we experienced a 1,000-unit reduction in large sensors sold (2016: 2,000 units), from our channel partners in Korea and Germany. However, this is still a market which although continues to be lower in project unit volumes offers the advantages of numerous bespoke and value-add opportunities.

The other markets, which predominantly are in the small and medium-sized ranges and are therefore open to much greater alternative supplier competitive pressures, particularly from spare capacity from consumer solution providers being Home Automation, Healthcare and Telematics, in total decreased to £0.7m (2016: £0.9m), as we saw 1,000-unit declines in units supplied to both Home (2016: 10,000 units) and Health (2016: 4,000 units). Similar to that mentioned in Vending, we believe that the volumes of our touch solution for the high-end Bosch cooktop models will continue to reduce as the models move to EOL over 2018 and beyond.

## Opportunities analysis

Our customer relationship management (“CRM”) software continues to be integral in managing and monitoring global sales opportunities. Incoming leads from all sources (websites, tradeshows, channel partners, sales management, etc.) are fed into the CRM system; once validated, those opportunities are then categorised according to vertical market (application), annual quantity, touch sensor type, project duration, estimated unit price and production start date. As the opportunity progresses, it is dynamically assigned with an estimated probability of success. Only those opportunities at the point in time when they are assigned with a high probability are classified as a “Project” and only those designated as a Project at the time of our quarterly sales review are added into our dynamic forecast model.

As the CRM information is constantly being updated by the sales team to account for changes to opportunities, which may be because they are re-classified as dead, lost to a competitor, moved into production or have changed success probability, the number of opportunities, and the value of active “Projects”, varies significantly day to day. At 30 September 2017, there were a total of 551 live opportunities in the system, with 60 opportunities classified on that day as “Projects”, with those “Projects” having an unsensitised lifetime revenue contribution of £8.2m over a projected five years.

Finally, on behalf of the Board of Directors, I would like to thank all Zytronic employees for their valued contribution to the performance of the business over the reporting period.

**Mark Cambridge**
Chief Executive Officer
11 December 2017

| | 2017 | | 2016 | | Variance | |
|---|---|---|---|---|---|---|
| Sensor size | **Units ('000)** | **% total** | Units ('000) | % total | Units ('000) | % change |
| Small – (0–14.9”) | **33** | **24** | 39 | 30 | (6) | (16) |
| Medium – (15.0–29.9”) | **87** | **63** | 77 | 59 | 10 | 13 |
| Large – (30.0”+) | **18** | **13** | 14 | 11 | 4 | 26 |
| **Total** | **138** | **100** | 130 | 100 | 8 | 6 |

# ACCURATE AND RESPONSIVE IN ALL WEATHER

## ADIAL PIZZADOOR

### Zytronic touch sensors transform user interface for out-of-hours pizza vending machines.

Zytronic's touch sensors are being used in the ADIAL PIZZADOOR, a self-service vending machine retailing high quality pizzas for the notoriously discerning French palate. ADIAL has manufactured pizza vending machines since 2002, and its original design used mechanical selection buttons alongside a colour LCD screen to present appealing images of the product inside. However, Vincent Le Gouic, President of ADIAL, noticed that users were increasingly trying to touch the screens when choosing a pizza.

PIZZADOOR is designed for installation in rest areas, truck stops, limited service hotels, hospitals, offices and railway stations. It is also widely used by pizza restaurants in smaller municipalities in France, which cannot justify extended opening hours. Product is stored in a cooling unit, which maintains it in peak condition for the maximum time period, and carefully dispenses in order of age to minimise wastage. Customers can choose a hot pizza to eat straight away, or a cold one to cook and consume at home. Cooked pizzas are heated in a pulsed warm air oven delivering brown and crunchy pizzas in just three minutes, and are supplied in a hygienic, food grade cardboard box.

As a consequence of the success of the touchscreen-enabled PIZZADOOR vending machine, ADIAL's revenue has grown by over 30% per annum over the last four years.

Location: **France**

Market: **Vending**

Application: **Pizza vending machine**


# OPERATING IN STRONG MARKETS



## MARKET UPDATES

### APAC
Touch revenue from invoiced sales to the APAC region was £7.2m, which represented 35% of total touch export revenue (2016: £7.3m, 41%). The largest revenue generator was from sales into the Gaming market for ultra-large format MPCT™ products.

### EMEA
Touch revenue from invoiced sales to the EMEA region was £7.0m, which represented 34% of total touch export revenue (2016: £6.7m, 38%).

### Americas
Touch revenue from invoiced sales to the Americas was £3.8m, which represented 19% of total touch export revenue (2016: £3.6m, 21%).

### UK
Touch revenue from invoiced sales to UK customers was £2.6m (2016: £0.6m). The year-on-year growth was attributable to a large gaming project commencing in the year.

Sales channel partnerships around the world
**40**

Global distribution agreements
**2**

Touch revenue growth
**13%**

## WHERE OUR TECHNOLOGY IS USED

### Leisure
Our highly durable and customisable touch sensors are used in a variety of entertainment applications, from video jukeboxes to the latest slot machines. They provide reliable performance and enable engaging designs.

### Surfaces
Our award-winning multi-touch MPCT™ touch sensors are available in any shape or size up to 85", perfect for multi-user touch tables in retail, leisure and commercial applications.

### Signage
Our large format PCT™ touchscreens are increasingly used in digital signage, helping advertisers to engage directly with individual customers outdoors and indoors, and are reliable in all conditions.

### Industrial
Our rugged, reliable PCT™ touch sensors are used in a variety of workplace applications, from medical diagnostic equipment to oil field machinery controls, providing low maintenance, year-round performance in all environments.

### Retail
Our tough, customisable PCT™ touchscreens enable self-service equipment to be deployed at the point of sale irrespective of the location and to provide 24/7 customer access in the harshest environments and climates.

### Banking
Our vandal-resistant PCT™ touch sensors have been trusted by global ATM and financial kiosk manufacturers for over a decade to provide reliable self-service performance both indoors and outdoors.

Read our business model **P10-11**

# OUR COMPETITIVE ADVANTAGES – ADDING VALUE TO OUR CAPABILITIES

## OUR KEY RESOURCES AND RELATIONSHIPS

### Technology

We coined the term “projected capacitive” more than seven years ago and we are global leaders in its development with our proprietary PCT™ and patented MPCT™ technology.

### R&D

We are pioneers in the field of projected capacitive touch technology – now the most widely used touchscreen technology in the world. We constantly strive to be ahead of trends and to further the advancement of new products and processes, including our patented, customisable, multi-touch technology.

### Experienced team

Over the last seven years, we have built up a diverse team of mechanical, electronic, software and firmware engineering experts, to continually develop the processes, materials and functionality across the full gamut of all products that Zytronic designs and manufactures.

This ensures that the developed and, where appropriate, patented IP in our touch technologies and products remains at the forefront of the industry and allows us to take an important position within the touch ecosystem.

### In-house facilities

Our commitment to develop innovative touch technology is backed up by stringent (ISO-approved) quality and environmental systems and our multilingual/multinational sales, customer service and technical support teams are always on hand to assist customers throughout a project.

Operational review P05-08

## OUR MANUFACTURING CAPABILITIES

### Our products

We know glass. Our in-house facilities include automated cutting, edge grinding, polishing and drilling machines, complemented by bending and thermal tempering ovens and screen-printing equipment. Our dedicated and talented manufacturing team has decades of experience in glass processing and lamination.

### Our benefits

At Zytronic we go the extra mile to make sure our products and services are extraordinary.

In fact, we are unique in the industry – designing our own touch controllers and writing our own proprietary touch detection firmware. Coupling this with our customisable touch sensors, and adaptable manufacturing processes, means we can create touch electronics, software and hardware that specifically meet the requirements of our customers.

We are one of the only touchscreen companies in the world that can be trusted to help take our customers’ visions to reality, and keep them ahead of the competition.

At a glance P02-03

### Route to market

#### Direct presence

We have key account managers on the ground in the locations where we see the biggest growth opportunities. Our experienced personnel can react quicker to customers’ needs and ensure the Zytronic brand continues to be globally recognised.

#### Sales channel partnerships

We have 40 sales channel partnerships to sell our products around the world, two of which are global distribution agreements.

## HOW WE ADD VALUE

### Customers

We have been honoured to work with dynamic and prestigious companies, which are global leaders in their respective fields. We do this by putting our customers' needs at the forefront of our business.

Using a consultative sales approach, we ensure our customers are educated, informed and engaged with all aspects of the design and sales process, which allows us to create a truly adaptable service, and touch sensor solutions that meet the needs of their interactive application.

### Partners

We have an ever-expanding network of specialists, international representatives and resellers, all of which are dedicated to meeting the needs of our customers and offering local and practical support when necessary.

### Employees

With well over half a century of glass processing and laminating experience, and over 15 years of experience developing our own touch controllers, our employees are experts in their fields.

From initial idea, to prototype, to manufacture and installation, our employees offer professional advice and guidance to make sure customers' needs are met throughout the lifespans of their projects.

### Shareholders

We continue to deliver value for our shareholders and have returned double-digit growth in our dividends over the past four years.

Our strategy **P12-13**

## RE-INVESTMENT

From "force sensing" to "object recognition" touch control firmware, or from curved to "explosion resistant" glass touchscreens, we constantly strive to be ahead of the trends, and bring our customers the most up-to-date advancements in touch technology. We do this by continually re-investing into the development of new technology, products and processes.

R&D spend (2017)

£0.4m

Patents granted

5

### Our culture and values

We utilise the following three core values to serve as the guidelines for our conduct as an organisation and for the behaviour of our employees.

**Integrity**

Building relationships of mutual respect with colleagues, customers, suppliers, advisers and investors, ensuring that we conduct ourselves at all times in an open, honest and ethical manner.

**Quality**

Providing customer satisfaction through the continual improvement of our products and processes and the capabilities of our employees, through innovation, development and training.

**Performance**

Achieving profitable growth and increasing shareholder value through the balance of short term demands and long term strategies.

Sustainability **P18-19**

Our strategy

# IT IS OUR AIM TO DELIVER VALUE TO OUR SHAREHOLDERS

## INNOVATE

We identify development projects that will enhance our technology and increase its ease of use and functionality for customers and end-users, and we listen to existing and potential customers and our markets for future requirements.

### What we did in 2016/2017

- Samples of the ASIC were received during the year and following approval and testing will be ready to launch early fiscal year 2018.
- We have initiated further GB patent applications for shape recognition technology and our ability to put physical holes in and through the active sensing areas of our glass touch sensors without affecting performance.

### Our priorities for 2017/2018

- We will continue to work within the H2020 Hi-Response consortium project.
- We will release a new family of controllers to incorporate the ASIC.

## GROW

We continue to seek opportunities to expand our sales channels and direct presence across the world and aim to establish representation in additional countries, for example Indonesia and in the Middle East.

### What we did in 2016/2017

- We grew our revenues to £22.9m, of which 90% relates to touch products.
- We signed a further global distribution agreement with the Quixant group.
- We expanded our digital and social media presence to highlight our unique capabilities.

### Our priorities for 2017/2018

- We will seek to increase our channel partner network in Western Europe and the USA.
- We will continue to develop our presence in the US through further recruitment into Zytronic Inc.
- We have initiated recruitment of a sales support engineer for the APAC region.

## INVEST

We review our manufacturing methods regularly to bring through efficiencies in production. We add new plant and equipment each year, as necessary, to add capacity and replace old equipment. We invest in our marketing activities to promote our business on a global level. We invest in our employees to ensure we have the necessary calibre of people in the organisation.

### What we did in 2016/2017

- We purchased another glass profiling machine to meet the increasing demand for shaped products.
- We added further sensor manufacturing equipment into our facilities as demand for touch sensing products increased.
- We further invested into our exhibition equipment to showcase our most current products at global trade shows.
- We recruited another 16 employees during the year, one of which was another engineering apprentice, into our Quality department.

### Our priorities for 2017/2018

- We will continue to develop our apprentices to add value into the business.
- We will continue to review our ERP system to ensure it continues to meet our requirements.
- We will review our facilities to ensure we have sufficient space for our production demands.

## AMTEK

### Zytronic touch sensors double vending machine capacity.

Amtek, a leading Italian manufacturer of self-service vending machines, has been able to double the capacity and increase the internal space in its range of condom vending machines by switching to a user interface based on a Zytronic projected capacitive touch sensor.

The new electronic vending machines can also hold a much wider range of product, and deliver detailed sales reports in real time allowing stock to be tuned to local demand.

| Location: | Market: | Application: |
|---|---|---|
| **Italy** | **Vending** | **Vending machine** |


Our key performance indicators

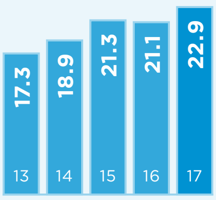
# MEASURING OUR PERFORMANCE

Commentary on the actual performance of the Group against each of these KPIs is set out in the Chairman's statement and the Operational and Financial reviews.

- The current KPIs consist of: setting targets for and monitoring the level and growth of sales; improving the gross profit margin; controlling the level of overheads (administration expenses); managing cashflow from operating activities; recording the order intake over the year; and monitoring accident levels.
- In addition, the Directors review a CRM opportunities log which the sales team uses to record validated sales opportunities and the key dates in the development of each sales prospect with the customer, volumes and values of the opportunities and expected production commencement dates.

### Group revenue (£m)

£22.9m +9%



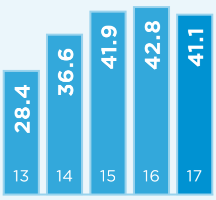

**Definition**
The total amount the Group earns from the sale of its products.

**Our performance**
Additional revenue of £2.0m from UK-based customers has driven increase over prior year.

**Link to strategy**

### Gross profit margin (%)

41.1% -4%



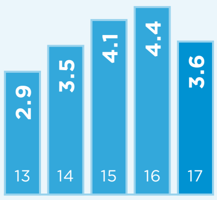

**Definition**
The gross amount of margin earned from the sale of the Group's products.

**Our performance**
Price pressures from suppliers and additional headcount have impacted margin over the year.

**Link to strategy**

### Administration expenses (£m)

£3.6m -18%



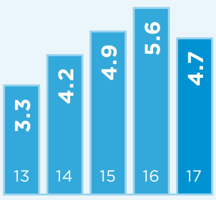

**Definition**
The indirect costs incurred in running the Group.

**Our performance**
Foreign currency contracts unwinding have benefited admin costs by £0.9m.

**Link to strategy**

### Cash generated from operating activities (£m)

£4.7m -16%



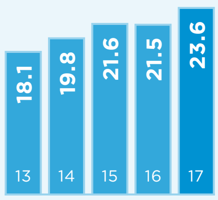

**Definition**
Cashflow from operating activities adjusted for non-cash items.

**Our performance**
The fair value movement on the FX provisions of £1.0m has impacted cash generated from operations.

**Link to strategy**

### Order intake over the year (£m)

£23.6m +10%



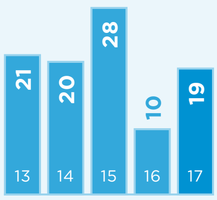

**Definition**
Orders received during the financial year.

**Our performance**
Year-on-year growth driven by orders of touch products.

**Link to strategy**

### Recorded accidents

19 +90%




**Definition**
Total number of accidents recorded in the business over the year.

**Our performance**
Increase in accidents occurring over the year, none of which were reportable to RIDDOR.

**Link to strategy**

Risk management

# CONTINUALLY ASSESSING RISKS

The Board has carried out a robust assessment of the principal risks facing the Group, including those that threaten the business model, the strategy, future performance, solvency and liquidity. Principal risks have been identified based on the likelihood of occurrence and the severity of the impact on the Group, and have been identified through the application of policies and processes outlined below.

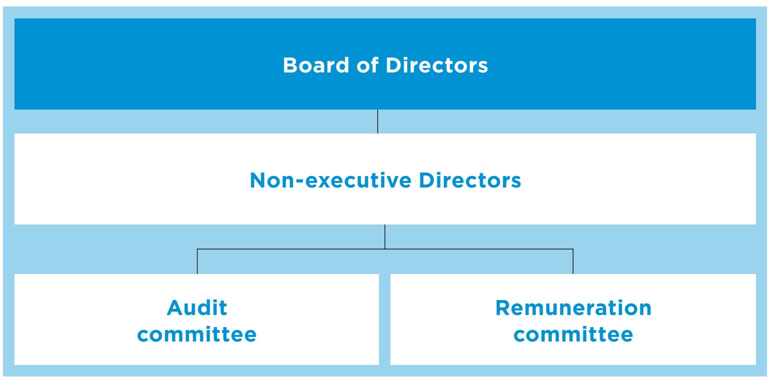
## MANAGING OUR RISKS

The nature of the risk is reviewed including the possible triggering events and the aggregated impacts before setting appropriate mitigation strategies directed at the causes and consequences of each risk.

The risk is assessed in relation to the likelihood of occurrence and the potential impact of the risk upon the business and against a matrix scoring system which is then used to escalate risks within the Group.

### Risk management structure

The responsibility for risk identification, analysis, evaluation and mitigation rests with the operational management team of the businesses and is regularly communicated to the Board. The operational management team is also responsible for reporting and monitoring key risks in accordance with established processes under the Group operational policies. Reporting within the Group is structured so that key issues can be escalated rapidly through the management team to the Board where appropriate.




**Impact and change key:**

Unchanged · Adverse · Improved · Major · Moderate · Minor

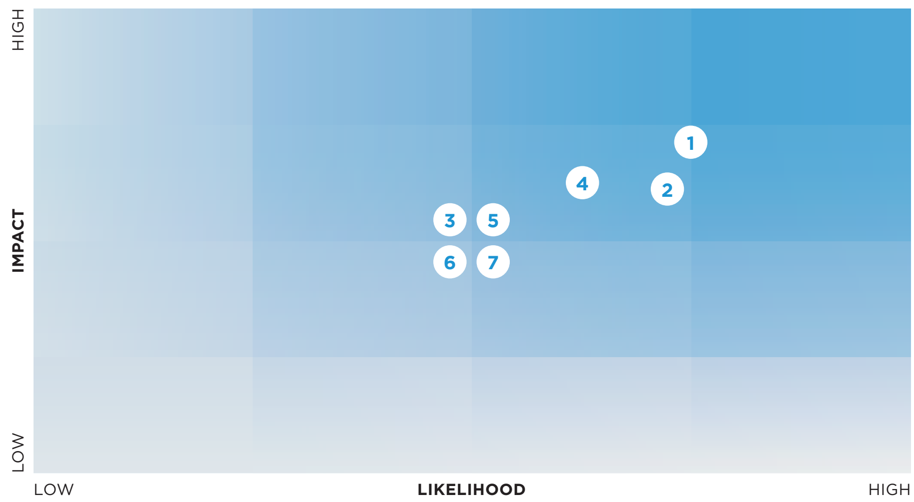
**Link to strategy key:**

Innovate · Grow · Invest

# Risk management *continued*

## Risk heat map

1. Downward price pressures from competing technologies
2. Reliance on key customers
3. Advances in competing technologies
4. Increasing costs of raw material supplies
5. Managing increases in the overhead base
6. Risks associated with currency movements
7. Risks associated with timing of customer projects




| RISK DESCRIPTION | MITIGATING ACTIONS | POTENTIAL FINANCIAL IMPACT | CHANGE | LINK TO STRATEGY |
|---|---|---|---|---|
| **Downward price pressures from competing technologies** | | | | |
| This is most prevalent in the lower valued touch sensor sector dominated by resistive, capacitive and surface acoustic wave touchscreens. However, price pressures in those markets do have a knock-on effect on prices throughout the industry. | Management has successfully met these challenges to date by re-designing and re-engineering the ZYTOUCH® touch sensor and in developing the ZYPOS® touch sensor. This has enabled the Group to reduce the cost of manufacture and therefore the sales price for subsequent touch sensor designs and has allowed the Group to enter markets that were previously closed to it on price grounds. The Group has subsequently taken the touch sensor manufacturing process changes and applied them to the re-design and manufacture of the optical display filters which it also produces. The Group continually assesses alternative materials in order to try to drive down costs. | | | |
| **Reliance on key customers** | | | | |
| At present the Group has 60% of its revenue from four key customers. The risk to the Group is the loss of one or more of these customers with revenues not being replaced by others. | The nature of the business often means that when a customer is brought into the Group they stay loyal for a long period due to the lengthy engagement process from initial discussion to the raising of the purchase order. It is also difficult for a customer to design-out the product once it has been chosen to be incorporated into their product offering. These factors help mitigate the risk of losing key customers. The Group constantly seeks new and increasing opportunities to replace and add to revenue when existing projects naturally come to their conclusion. The Group constantly strives to have a diversified customer base with multiple projects over different time periods occurring at any one time. | | | |
| **Advances in competing technologies** | | | | |
| The main risk to the Group's business is that of advances in competing technology, whereby a new, better touch sensor technology is created. | Management is very conscious of this and monitors competitors' developments and changes within the whole industry. By continually developing and evolving its own technologies, the Group expects to build upon its competitive strengths and thereby keep its technology ahead of its competitors. In order to protect itself the Group has applied for and had patents successfully granted. Further patent applications have been initiated during the year. | | | |
| **Increasing costs of raw material supplies** | | | | |
| There are continual upward pressures on the cost of raw material supplies, many arising from increases in oil prices and energy costs. Raw materials can also be purchased in US Dollars and Euros, whereby movements in exchange rates can affect the pricing. | Management continually reviews the sources and costs of raw material supplies, the design of the Group's products and the operational processes that are used in their manufacture. Where possible, it uses increases in volume purchases to obtain price reductions, discounts and improved specifications. | | | |

**Link to strategy key:**

Innovate Grow Invest

| RISK DESCRIPTION | MITIGATING ACTIONS | POTENTIAL FINANCIAL IMPACT | CHANGE | LINK TO STRATEGY |
|---|---|---|---|---|
| **Managing increases in the overhead base** | | | | |
| With the significant time that may occur between meeting potential customers and receiving first orders, management must ensure that the capacity of its factories is adequate for future growth in sales and the development of the business, while managing the profitability of the Group. | This is not straightforward when the business is developing new products and manufacturing processes and when the visibility and timing of orders from customers is unclear. Management uses a comprehensive sales pipeline model that has been strengthened by the introduction of a CRM system to monitor potential future sales levels. It has built in a degree of flexibility in its two main factories by ensuring that all products can be processed across its two buildings to continue to meet variable demand. Management is considering the space requirements in its buildings should increased raw materials need to be held to mitigate against any possible changes to customs clearance procedures when Brexit occurs, or new manufacturing processes are added. | | | |
| **Risks associated with currency movements** | | | | |
| A large proportion of the Group's sales are denominated in US Dollars and Euros, so the Group is subject to risks associated with currency movements. It is the Group's policy to manage these risks and provide a degree of certainty for cashflows into the UK without taking the risks of speculative positions. | Natural hedging is adopted to manage currency risk, whereby goods and services are sometimes sourced in Euros and US Dollars. Surplus currency is then protected through the use of forward foreign exchange contracts to try to mitigate against foreign exchange movement. | | | |
| **Risks associated with timing of customer projects** | | | | |
| One of the main risks to the business is that of the timing of customer projects, where as a component supplier the Group is wholly reactive to its customer demands. | The demands of the Group's customers are not something that can be controlled, so in order to mitigate this risk the Group constantly strives to have a diversified customer base with multiple projects over different time periods occurring at any one time. A project log, via the CRM system, is regularly reviewed to ensure that up-to-date information regarding pipeline projects is captured. | | | |

Sustainability

# PEOPLE ARE AT THE HEART OF OUR BUSINESS

We have three core values which serve as the guidelines for our conduct as an organisation and for the behaviour of our employees.

## 1. INTEGRITY

Building relationships of mutual respect with colleagues, customers, suppliers, advisers and investors, ensuring that we conduct ourselves at all times in an open, honest and ethical manner.

## 2. QUALITY

Providing customer satisfaction through the continual improvement of our products and processes and the capabilities of our employees, through innovation, development and training.

## 3. PERFORMANCE

Achieving profitable growth and increasing shareholder value through the balance of short term demands and long term strategies.

### Training

Employee training and development is one of the key factors to our success. Comprehensive training programmes allow us to advance workplace safety, productivity and satisfaction, as well as creating an informed and inspired workforce who can contribute to the advancement of our touch technology.

### Diversity

We pride ourselves on our diversity. Varying characteristics of our employees include, but are not limited to: religious and political beliefs, gender, ethnicity, education, socio-economic background, sexual orientation and geographic location.

### Employee engagement

We strive to create the right conditions for all members of our organisation to give their best, are committed to our goals and values, and are motivated to contribute to the organisational success, with an enhanced sense of wellbeing.

### Apprenticeships

We are committed to training and have embarked on an apprenticeship scheme to train our engineers of the future.

During the year we employed a further apprentice into our Quality department.

### Environmental policy

At Zytronic we are committed to working towards a cleaner and greener future for all.

We endeavour to comply with all relevant environmental legislation and regulation. It is our goal to attain higher standards of environmental performance where practical and appropriate.

We are fully compliant with BSI Environmental Management System ISO 14001:2015.

### Recycling

We promote environmental awareness throughout the Group and have introduced a number of activities which include the recycling of paper, cardboard, plastics, cans, bottles, metals, etc. Since introducing these recycling activities, Zytronic has reduced pollution into the environment by diverting 95% of its waste away from landfill with the remaining 5% being used as RDF fuel.

# WE ARE COMMITTED TO TRAINING OUR ENGINEERS OF THE FUTURE

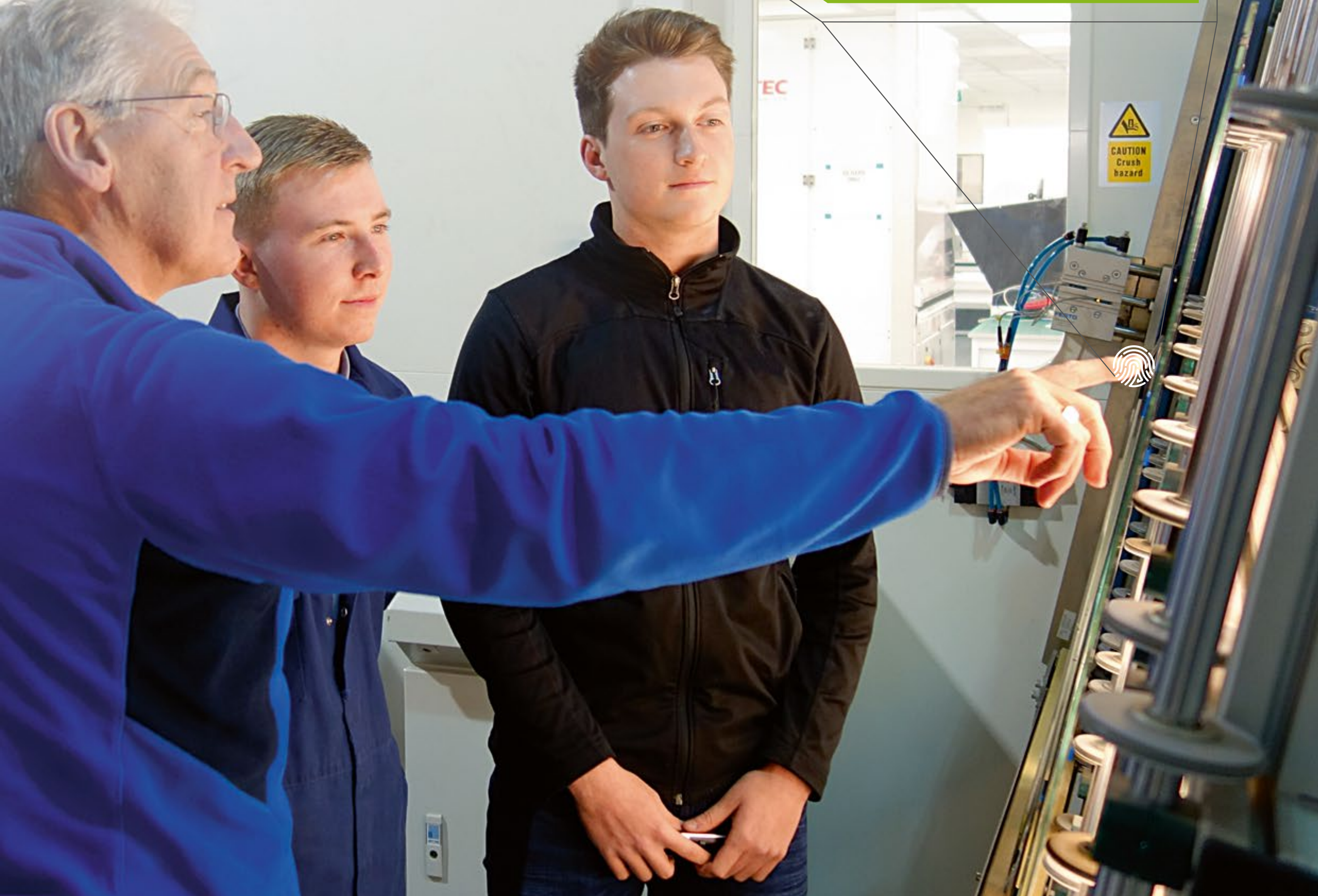
## ZYTRONIC APPRENTICESHIP SCHEME

At Zytronic we are not only dedicated to the advancement of our touch sensor technology, but also the talent and knowledge of our staff.

Therefore, we are proud to be engaged with a local apprenticeship training scheme, ETC (Engineering Training Centre) North East, formerly Rolls Royce Engineering Training Centre, an approved training provider based in Newcastle-upon-Tyne, offering apprenticeships and pre-apprenticeship training in mechanical, fabrication, electrical and general engineering, at NVQ levels 2 and 3.

Zytronic currently employs three apprentices: Kyle Gair, who was hired in June 2015, to serve an apprenticeship as a multi-skilled Maintenance Craftsperson, assigned to the Maintenance department; Liam Jackson, who joined Zytronic in March 2016, to serve an apprenticeship as a Production Technician, assigned to the Production Technician department; and Alexander McEwen, who joined Zytronic in 2017 and is assigned to the Quality department.

Mark Cambridge, Zytronic CEO, comments: "Despite not having any previous work experience, apprentices can be highly effective in bringing new ideas and a fresh perspective into the workplace; it is our intention to continue to hire and train apprentices to ensure that we have the correct skills and resources available to meet the needs of the business going forward."



Financial review

# INCREASING REVENUE

## Group revenue

Group revenue for the year increased by £1.8m to £22.9m (2016: £21.1m) as a result of increased orders of touch products totalling £20.6m (2016: £18.2m), particularly through the Gaming market from one of the UK-based customers. Touch product revenue now accounts for 90% of total revenue (2016: 86%).

## Gross margin

Gross margin declined slightly in the year to 41.1% (2016: 42.8%), despite the increase in volume of larger format sensors sold, mainly as a result of the following factors:

- increased costs of raw materials due to supplier price rises and purchasing more pre-prepared glass;
- additional costs of wage rises and increased numbers of personnel in production (146 employees compared to 129 in 2016); and
- increases in commissions payable as more revenue arose from channel partners over the year.

## Group trading profit

Group trading profit increased to £5.4m (2016: £4.3m). On a year-on-year basis, excluding the impact of FX movements of £1.0m, administration costs have increased only slightly in 2017 through higher costs of professional fees, marketing and travel.

## Taxation

The Group's taxation charge for the year ended 30 September 2017 of £0.8m represents an effective tax rate of 15%. In the year, the Group continued to claim relief under the Patent Box regime and the utilisation of R&D tax credits (£0.2m). The differences in tax rates enacted and the fair value movement on the Group's FX contracts have also impacted the tax charge in the year.

## Earnings per share

The issued share capital is 16,044,041 ordinary shares of 1.0p each and the resultant weighted EPS for the year is 29.0p, which represents growth of 9% from that reported last year (2016: 26.6p).

## Dividend

During the year the Group paid a final dividend for 2016 of 10.96p per share and a 2017 interim dividend of 3.80p per share totalling £2.4m of cash (2016: £1.9m). The Directors recommend the payment of a final dividend of 15.20p per share for the year ended 30 September 2017 giving a total dividend for the year of 19.0p per share (2016: 14.41p) and an increase of 32% over last year. Subject to approval by shareholders, the dividend will be paid on Friday 9 March 2018 to shareholders on the register as at the close of business on Friday 23 February 2018. The dividend is covered 1.5 times by underlying earnings.

## Capital expenditure

The Group additions to capital expenditure totalled £1.1m and were weighted more to intangible assets with £0.5m of spend occurring on the continuing development of the MPCT™ ASIC project. This project is on target for completion during early 2018. A further £0.1m was spent on the Fibre Laser Table and investment of £0.1m was made into a new CNC Edge Profiling machine. Additional sensor manufacturing equipment has also been added over the year to meet production requirements. Depreciation and amortisation for the year increased slightly to £1.2m (2016: £1.1m).

## Cash and debt

The Group continues to be cash generative and has recorded an increase in cash and cash equivalents of £1.3m (2016: £2.9m) at the year end. Cash generated from operating activities was £4.7m offsetting the cash outflow from investing and financing activities. This growth in cash enables the Group to continue its policy to invest in internal R&D and capital refurbishments and maintain its progressive dividend policy.

The Group maintains an overdraft facility of £1.0m, which is available for use in any of its currencies and falls for review in November 2018. The Group also has an FX policy in place at the year end whereby it is hedged in both US Dollars and Euros for a period of four months ahead in line with its working capital policies to try to better manage its net GBP inflows from its surplus currency requirements.

The Group repaid its property mortgage with Barclays Bank plc during the year utilising £1.1m of its cash. Following this, the Group is now debt free and had cash balances of £14.1m at 30 September 2017.

## Revenue reserve

On 22 March 2017, the Group carried out a capital reduction exercise whereby £8.9m of the Group's undistributable profits (within the retained earnings reserve) were capitalised by way of a bonus issue of newly created capital reduction shares. These shares were subsequently cancelled and the £8.9m credited to the retained earnings reserve as distributable profits.

**Claire Smith**
Group Finance Director
11 December 2017

## CITYBEACON

### Citybeacon selects Zytronic to create "Smart City" hubs in the Netherlands.

Working closely with OCP Solutions, developers of public outdoor communication products, Citybeacon was designed to help make cities smarter. "Blending state-of-the-art connectivity with intuitive touchscreens enables visitors and residents to access relevant information about the city and local businesses, and experience their surroundings," said Marius van Lith, CEO of OCP Solutions B.V. "We're enabling cities to become smarter by combining a range of technologies that are scalable for the future in one unit, and the key to interacting with users is through a rugged 32" touchscreen. The user experience is very important, and it was vital that the interface would provide a reliable all-weather, responsive and durable solution that reflected the qualities of Citybeacon. Zytronic's local partner, Telerex, recommended their ZYFILM® interactive foil for the touch solution."

ZYFILM® from Zytronic is a flexible, polyester touch film and is designed to be laminated to the rear surface of a rigid transparent substrate. Once applied, it is capable of detecting up to 40 simultaneous touch points through an overlay of 10mm thick or more.

The Citybeacon features a 32" ZYFILM®-based touch display, enabling easy access to local information and directions. The system also incorporates NFC, RFID and Bluetooth-based payment and mobile hand-off technologies so users can take advantage of local services such as parking and carry information to and from the kiosk. Two double-sided integrated large advertising screens at the top of the unit also share information such as public service announcements and local business promotions.

Location:
**Netherlands**

Market:
**Signage**

Application:
**Outdoor digital signage**

# Board of Directors

## Tudor Griffith Davies Ⓐ

**Non-executive Chairman**

Tudor has wide industry experience at boardroom level as Chairman, Chief Executive and Executive and Non-executive Director of several public companies. He is currently Chairman of Assetco plc and was formerly Chairman and/or Chief Executive of Hicking Pentecost plc, Stratagem plc, Dowding & Mills Ltd and plc and Castle Support Services plc. He was formerly a partner in Arthur Young (a predecessor firm of Ernst & Young LLP) specialising in corporate finance and recovery. Tudor is Chairman of the audit committee.

## Mark Cambridge

**Chief Executive**

Mark graduated with a BSc (Hons) in Materials Science in 1986 and has a Securities Institute Certificate in Corporate Finance (2003). Joining the Romag group of companies in 1991, he held the positions of Technical Manager, Quality Manager and Technical and Quality Director up to the demerger and flotation of Zytronic plc. Since 2000 he has overseen the development, market introduction and sales of the ZYTOUCH® touch sensor product and the market launch of ZYPOS® touch sensors. Mark was Sales and Marketing Director of Zytronic Displays Limited from 2002 until his appointment as its Managing Director in February 2006. On 1 June 2007 Mark was appointed to the Board and promoted to Chief Executive on 21 January 2008.

## Claire Smith

**Group Finance Director**

Claire graduated in 2000 in Business and Finance and attained CIMA accreditation in 2006 and a certificate in International Cash Management in 2011. She held various positions within Procter & Gamble and the NAAFI before joining Zytronic Displays Limited in April 2007 as Group Financial Controller. In 2012, Claire was appointed Finance Director of the trading subsidiary, Zytronic Displays Limited, and Finance Director of Zytronic plc in January 2014.

## David John Buffham Ⓐ Ⓡ

**Independent Non-executive Director**

David is a Non-executive Director of Newcastle Building Society. He is the Society's Senior Independent Director and the Deputy Chairman and chairs the Society's board risk committee, and sits on the nominations and remuneration committees and is a Director of the Newcastle Systems Management Ltd subsidiary. He is a Director of William Leech (Investments) Ltd, where he additionally sits on the investment committee and serves as a trustee of the William Leech Foundation. Until 2010 David worked for the Bank of England, most recently as the bank's regional agent for the North East for nine years.

## Sir David Robert Macgowan Chapman, Bt. Ⓐ Ⓡ

**Senior Independent Non-executive Director**

Sir David, a former Chairman of the CBI North East, has held a variety of Non-executive roles, including at Northern Rock Plc and at the London Stock Exchange. He is currently Chairman of the Virgin Money Retirement Savings Scheme and of its Independent Governance Committee and is an advisory board member of North East Finance. A former First Vice President of Merrill Lynch International Bank and a consultant to UBS Wealth Management, Sir David was a member of the Greenbury Committee on Directors' remuneration. He is currently Chairman of the remuneration committee. Sir David's current charitable representations include being a Trustee of the Hospitality and Hope charity and of the Gisela Graham Foundation.

Ⓐ Member of audit committee

Ⓡ Member of remuneration committee

All of the Directors served throughout the financial year and up until the date of signing these financial statements.

# ACHIEVING HIGH STANDARDS OF CORPORATE GOVERNANCE.



As an AIM-listed company, Zytronic plc is not obliged to comply with the UK Corporate Governance Code revised in April 2016 (the "Code") but instead uses the provisions of the Code as a guide, applying them as the Board considers appropriate to the circumstances of the Company.

**Tudor Davies**
Chairman

## The workings of the Board and its committees

### The Board

Throughout the year, Tudor Davies, the Non-executive Chairman, Mark Cambridge, the Chief Executive, Claire Smith, the Group Finance Director, and Sir David Chapman, Bt. and David Buffham, the two Independent Non-executive Directors, were members of the Board.

The Non-executive Directors demonstrate a range of experience and sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct, which is vital to the success of the Group.

The Board normally meets at least five times per year. Its direct responsibilities include setting annual budgets, reviewing trading performance, approving significant capital expenditure, ensuring adequate funding, setting and monitoring strategy, examining major acquisition possibilities and reporting to shareholders. Between meetings there is regular informal discussion between the Chairman, the Chief Executive, the Group Finance Director and the individual Non-executive Directors. The Non-executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered.

To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed by the Company Secretary to all Directors in advance of Board meetings. The Chairman ensures that the Directors are able to take independent professional advice as required, at the Company's expense.

The standing committees established by the Board are the remuneration committee and the audit committee, each of which operates within defined terms of reference.

A nominations committee has not been established as the Board is small. The nominations process prior to Board appointments takes into account the views of all existing Board members and some advisers. Any Director appointed to the Board since the last Annual General Meeting is required to seek election at the subsequent Annual General Meeting. All Directors are subject to re-election at least once every three years.

The number of meetings of the Board, and the attendance of Directors, is shown overleaf.

### Remuneration committee

The remuneration committee is chaired by Sir David Chapman, Bt., the Senior Independent Non-executive Director.

The other member is David Buffham, an Independent Non-executive Director. The committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost, including the remuneration of the subsidiary Directors. The committee determines the contract terms, remuneration and other benefits for each of the Executive Directors, including performance related bonus schemes, pension rights and compensation payments. Further details of the Company's policies on remuneration, service contracts and compensation payments are given in the Remuneration report. The Chairman's remuneration is determined by a sub-committee comprising only the Independent Non-executive Directors.

The number of meetings of the committee, and the attendance of members, is shown overleaf.

### Audit committee

The audit committee is chaired by Tudor Davies. The other members are Sir David Chapman, Bt., the Senior Independent Non-executive Director, and David Buffham, an Independent Non-executive Director. The Independent Non-executive Directors' meetings are also attended, by invitation, by the other Directors. The committee normally meets once a year.

The committee provides a forum for reporting by the Group's external auditors.

The audit committee is responsible for reviewing a wide range of matters, including the half-year and annual financial statements before their

# Corporate governance *continued*

## The workings of the Board and its committees *continued*

### Audit committee *continued*

submission to the Board, and monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The audit committee advises the Board on the appointment of external auditors and on their remuneration both for audit and non-audit work and discusses the nature, scope and results of the audit with the auditors.

The audit committee keeps under review the cost effectiveness of the auditors. It also reviews the extent of the non-audit services provided by the auditors and reviews with them their independence and objectivity. The Chairman of the audit committee reports the outcome of audit committee meetings to the Board and the Board receives minutes of the meetings.

The number of meetings of the committee, and the attendance of members, is shown below.

## Relations with shareholders

Communication with shareholders is given high priority. There is regular dialogue with major and/or institutional shareholders, including presentations after the Company's announcements of the half-year and full-year results in May and December, respectively.

Presentations are also made to analysts and journalists at those times to present the Group's results and report on developments. This assists with the promotion of knowledge of the Group in the investment marketplace and with shareholders. The financial statements include a review of the business and future developments. These financial statements, the presentations and other financial information relating to the Group are also available on the Group's website, www.zytronicplc.com.

Following the half-year and year-end presentations of results, the Executive Directors report to the Board on the feedback received from journalists, analysts and shareholders. In addition, the Company's Nomad produces a feedback report from those meetings which is made available to all Directors. The Executive Directors also report to the Board on any meetings with shareholders or institutional investors that may take place at other times of the year.

The Board uses both the annual report and financial statements and the Annual General Meeting to communicate directly with private and institutional investors and welcomes their participation. The Chairman aims to ensure that the Chairmen of the audit and remuneration committees are available at the Annual General Meeting to answer questions.

Details of resolutions to be proposed at the Annual General Meeting on Thursday 22 February 2018 can be found in the Notice of Annual General Meeting on pages 72 to 74.

In addition, the Senior Independent Director is available to shareholders if they have any concerns which contact through the normal channels of the Chairman, the Chief Executive or the Group Finance Director has failed to resolve or for which, such contact is inappropriate.

## Internal control

The Board is responsible for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. As an AIM-listed company, the Company does not need to comply with Code provision C.2.3 regarding the Directors giving a summary of the process applied by the Board in reviewing the effectiveness of the system of internal control. Instead, the Directors set out below and overleaf some of the key aspects of the Group's internal control procedures.

# THE BOARD

## Number of meetings and the attendance of Directors

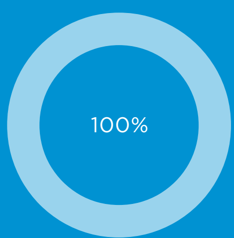
### Board composition

Non-executive Directors: 3

Executive Directors: 2

### Board meetings

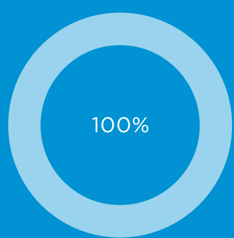
2017 total: five meetings




100% attendance by all Directors

### Remuneration committee

2017 total: two meetings




100% attendance by all members

An ongoing process, in accordance with the guidance of the Turnbull Committee on internal control, has been established for identifying, evaluating and managing the significant risks faced by the Group.

The process has been in place for the full year under review and up to the date of approval of the annual report and financial statements. The Board regularly reviews this process as part of its review of such risks within Board meetings. Where any weaknesses are identified, an action plan is prepared to address the issues and is then implemented.

The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board.

Authority to operate the trading subsidiary, Zytronic Displays Limited, is delegated to its Board of Directors and through it, it is run by its management, within limits set by the Board. The appointment of Executives to the most senior positions within the Group requires the approval of the Board.

Each year the Board approves the annual budget. Key risk areas are identified, reviewed and monitored. Performance is monitored against budget, relevant action is taken throughout the year and quarterly rolling forecasts are prepared to capture more accurate and up-to-date information. The reports reviewed by the Board include reports on operational as well as financial matters.

Capital and development expenditure is regulated by a budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Board for approval. Reviews are carried out after the purchase is complete.

The Board requires management to explain any major deviations from authorised capital proposals and to seek further sanction from the Board.

Due diligence work is carried out if a business is to be acquired.

The Board has reviewed the need for an internal audit function and concluded that this is not currently necessary in view of the small size of the Group and the close supervision by senior management of its day-to-day operations. The Board will continue to keep this under review.

The Group has a whistle-blowing policy and procedures to encourage staff to contact the Chairman if they need to raise matters of concern other than via the Executive Directors and senior management.

## Going concern

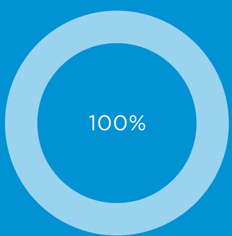
The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report. The financial position of the Group, its cashflows, liquidity position and borrowing facilities are also described within the Financial review section of the Strategic report. In addition, note 21 to the financial statements includes the Group's objectives and policies of its financial risk management and details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Group's business is well diversified, with relationships with customers and suppliers across different geographic areas and industries. It also has considerable financial resources. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.



**Audit committee**
2017 total: one meeting




100% attendance by all members

> "The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future."

# Remuneration report

As the Company is AIM listed, the Directors are not required, under Section 420(1) of the Companies Act 2006, to prepare a Directors' remuneration report for each financial year of the Company and so Zytronic plc makes the following disclosures voluntarily, which are not intended to, and indeed do not, comply with the requirements of Section 420(1) of the Companies Act 2006.

The remuneration committee is responsible for determining the remuneration and other terms of employment for the Executive Directors of Zytronic plc and the Directors in its trading subsidiary, Zytronic Displays Limited. The committee is composed of the Senior Independent Non-executive Director, as its Chairman, and the Independent Non-executive Director. In determining remuneration for the year, the committee has given full consideration to the requirements of the UK Corporate Governance Code.

## Remuneration policy

The remuneration of Executive Directors is determined by the committee and the remuneration of Non-executive Directors is approved by the full Board of Directors. The remuneration of the Chairman is determined by the Independent Non-executive Directors.

The key objectives of the committee in determining the remuneration packages of Executive Directors are:

- the recruitment, retention and incentivisation of executive management of the right calibre; and
- the alignment of executive management and shareholder interests.

The remuneration packages of Executive Directors comprise the following elements:

### Basic salary and benefits

Basic salaries for Executive Directors are reviewed annually having regard to individual performance and market practice. In most cases benefits provided to Executive Directors comprise health insurance and contributions to a group personal pension scheme. Details of emoluments for the Directors of Zytronic plc are set out on page 27.

### Annual bonus

In 2017, the remuneration committee implemented an annual bonus plan linked to corporate performance targets, being the achievement of certain profit before tax ("PBT") measures.

A maximum bonus of 20% of base salary for both the Chief Executive and the Group Finance Director will be payable if these targets are met.

For the financial year 2017 actual bonus payments of 10% of base salary are payable. The remuneration committee believes that this is a reasonable situation given the financial performance of the Group.

The remuneration committee also retains its right to provide special discretionary bonuses where deemed appropriate.

### Share options and incentive schemes (audited)

The Company had executive share option and incentive schemes, which were designed to promote long term improvement in the performance of the Group, sustained increase in shareholder value and clear linkage between executive reward and the Group's performance. The previous share options and incentive schemes of the Directors of Zytronic plc are set out on page 28. There are currently no share options or incentive schemes in place as at 30 September 2017.

### Service contracts

Mark Cambridge and Claire Smith each have a service contract with a notice entitlement of six months.

The committee considers the Directors' notice entitlements to be appropriate as they are in line with the market and take account of the Directors' knowledge and experience. There are no special provisions for predetermined compensation in the event of loss of office.

### Non-executive Directors

The fees of the Non-executive Directors are determined by the full Board within the limits set out in the Memorandum and Articles of Association. The Non-executive Directors are not eligible for bonuses, pension benefits or share options.

## Directors' emoluments (audited)

Emoluments of the Directors for the year ended 30 September 2017 are shown in the table overleaf.

## Pension contributions (audited)

During the year, the Group made annual pension contributions for Mark Cambridge and Claire Smith, Executive Directors, to a group personal pension scheme (i.e. a defined contribution scheme). Neither benefits in kind nor bonuses are pensionable.

Details of contributions payable by the Company are:

| Director | **2017 £'000** | 2016 £'000 |
|---|---|---|
| Mark Cambridge | **11** | 10 |
| Claire Smith | **9** | 41 |
| Total* | **20** | 51 |

* Claire Smith opted to pay some of her 2016 bonus award into her pension scheme as a Company contribution.

## Directors' shareholdings (audited)

Beneficial interests of the Directors in the shares of the Company, including those of their immediate families, are shown below:

| | 30 September 2017 | | 30 September 2016 | |
|---|---|---|---|---|
| | Number | % | Number | % |
| Mark Cambridge | **92,458** | **0.58** | 50,791 | 0.33 |
| Tudor Davies | **90,909** | **0.57** | 90,909 | 0.59 |
| Claire Smith | **42,381** | **0.26** | 714 | — |
| Sir David Chapman, Bt. | **40,000** | **0.25** | 40,000 | 0.26 |
| David Buffham | **18,500** | **0.12** | 18,500 | 0.12 |

There has been no change in Directors' shareholdings since 30 September 2017.

### Directors' emoluments for the year ended 30 September 2017 (audited)

| | Salary £'000 | Fees £'000 | Benefits £'000 | Bonuses £'000 | Total emoluments* 2017 £'000 | Total emoluments* 2016 £'000 |
|---|---|---|---|---|---|---|
| **Non-executive Chairman** | | | | | | |
| Tudor Davies | — | 76 | — | — | **76** | 74 |
| **Executive** | | | | | | |
| Mark Cambridge | 145 | — | 3 | 14 | **162** | 231 |
| Claire Smith | 103 | — | 1 | 10 | **114** | 143 |
| **Non-executive** | | | | | | |
| Sir David Chapman, Bt. | — | 30 | — | — | **30** | 29 |
| David Buffham | — | 30 | — | — | **30** | 29 |
| | 248 | 136 | 4 | 24 | **412** | 506 |

* Excluding pension contributions.

## Share price during the year

During the year to 30 September 2017, the highest share price was 622.5p and the lowest share price was 342.5p. The market price of the shares at 30 September 2017 was 605.0p.

# Remuneration report *continued*

## Directors' interests in material contracts

No Director was materially interested either at the year end or during the year in any contract of significance to the Group other than their employment or service contract.

### Directors' share options (audited)

| Enterprise Management Incentive Scheme | 30 September 2016 Number | Granted during year Number | Lapsed during year Number | Exercised during year Number | **30 September 2017 Number** | Exercise dates | Option price |
|---|---|---|---|---|---|---|---|
| Mark Cambridge[1] | 71,787 | – | – | (71,787) | **–** | December 2016 to December 2018 | 200.0p |
| Claire Smith[2] | 10,000 | – | – | (10,000) | **–** | 25 January 2016 to 24 January 2022 | 195.0p |
| Claire Smith[3] | 10,000 | – | – | (10,000) | **–** | 25 January 2017 to 24 January 2022 | 195.0p |
| Claire Smith[4] | 67,800 | – | – | (67,800) | **–** | December 2016 to December 2018 | 200.0p |

| Unapproved Scheme | 30 September 2016 Number | Granted during year Number | Lapsed during year Number | Exercised during year Number | **30 September 2017 Number** | Exercise dates | Option price |
|---|---|---|---|---|---|---|---|
| Mark Cambridge[5] | 53,213 | – | – | (53,213) | **–** | December 2016 to December 2018 | 200.0p |
| Claire Smith[6] | 57,200 | – | – | (57,200) | **–** | December 2016 to December 2018 | 200.0p |

1. 71,787 shares were exercised at 400.0p, realising a gain of £143,574.
2. 10,000 shares were exercised at 380.0p, realising a gain of £18,500.
3. 10,000 shares were exercised at 474.1p, realising a gain of £27,914.
4. 67,800 shares were exercised at 380.0p, realising a gain of £122,040.
5. 53,213 shares were exercised at 400.0p, realising a gain of £106,426.
6. 57,200 shares were exercised at 474.1p, realising a gain of £156,809.

# KEY STATISTICS

**Total revenue**

2016: £21.1m
2017: £22.9m

**Touch sales revenue**

2016: £18.2m
2017: £20.6m

**Highest share price**

2016: 436.5p
2017: 622.5p

# Directors' report

The Directors present their annual report and financial statements for the year ended 30 September 2017.

The Group has chosen to, in accordance with Section 414c(ii) of the Companies Act 2006, set out in the Strategic report the following, which the Directors believe to be of strategic importance:

- review of the business; and
- financial risk management policy/ principal risks and uncertainties.

## Principal activities

Zytronic is the developer and manufacturer of a unique range of internationally award-winning touch sensor products. Zytronic's products incorporate an embedded array of metallic micro-sensing electrodes which offer significant durability, environmental stability and optical enhancement benefits to designers of system-integrated interactive displays for public access and industrial-type applications.

## Likely future development

Our priorities for 2017/18 are disclosed in the Strategic report on pages 12 and 13.

The Group will continue to identify further opportunities for the development of new product groups and expends a considerable amount on R&D. By continually developing and adapting its technologies the Group has been able to expand the applications of the touch sensors into a widening range of applications and new sectors of business and to promote the Group's products on a global basis. At present 87% of all products are directly exported from the UK, with a large proportion of UK sales eventually being exported as well.

The Group draws strength from the diverse spread of its worldwide selling operations, particularly given the current uncertain economic conditions affecting different countries. The incorporation of Zytronic Inc. has further strengthened the Group's presence in the USA and the employment of a Taiwanese national in the APAC region has increased its presence there. The Group is seeking to expand its presence in both of these areas. Management continues to look for and engage with suitable appointees to expand the Group's presence of value-added resellers ("VARs") worldwide.

## Capital management

Capital management is intended to ensure and maintain strong credit ratings and healthy capital ratios in order to support the Group's business and maximise shareholder value. It includes the monitoring of cash balances, available bank facilities, cashflows, dividend policy and retained reserves and gearing levels (borrowings net of cash balances divided by shareholders' equity).

Management ensures that the Group has sufficient facilities to provide the Directors with comfort on the Group's foreseeable needs and its liquidity position. The Financial review includes a paragraph referring to the continuing strength of cashflows which occurred in the year ended 30 September 2017 and the overall net funds position.

During the year the bank loan was repaid in full.

No changes were made to these objectives, policies or processes during the years ended 30 September 2016 and 2017.

## Research and development

During the year the Group continued its development on the MPCT™ ASIC which will reduce the footprint and cost of the Group's multi-touch controllers. Further details on the Group's R&D activities are included in the Operational review section of the Strategic report.



**Research and development spend**

2016: £395,000
2017: £432,000

**Total number of employees**

2016: 174
2017: 190

**Dividend**

2016: 14.41p
2017: 19.0p

# Directors' report *continued*

## Results and dividends

The consolidated statement of comprehensive income is set out on page 39. The Group profit after tax amounted to £4.6m (2016: £4.1m). The Directors propose the payment of a final dividend of 15.2p per share (2016: 10.96p). Following the dividend of 3.80p per share paid in July 2017, this will bring the total dividend for the year to 19.0p per share (2016: 14.41p), an increase of 32%.

## Directors

The Directors of the Company are shown on page 22. All of the Directors were Directors for the whole of the year. The emoluments and interests of the Directors in the shares of the Company are set out in the Remuneration report.

## Statement of Directors' responsibilities in relation to the Group and Parent Company financial statements and annual report

The Directors are responsible for preparing the annual report and the Group and Parent Company financial statements in accordance with UK law and those International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Under company law the Directors must not approve the Group and Parent Company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing those financial statements the Directors are required to:

- present fairly the financial position, financial performance and cashflows of the Group and Parent Company;
- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements of IFRS, as adopted in the European Union, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Parent Company's financial position and financial performance; and
- state whether the Group and Parent Company financial statements have been prepared in accordance with IFRS, as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the Group and Parent Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 22. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

## Annual General Meeting ("AGM")

The AGM will be held at the office of Zytronic plc, on Thursday 22 February 2018 at 9.30 am. The Notice of Meeting accompanies this annual report and is also available on the Group's website at www.zytronicplc.com. Four resolutions will be proposed as special business.

The Directors consider that all the resolutions to be proposed at the AGM are in the best interests of the Group and it is their recommendation that shareholders support these proposals as they intend to do so in respect of their own holdings.

## Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditors will be put to the shareholders at the forthcoming Annual General Meeting.

On behalf of the Board

**Claire Smith**
Company Secretary
11 December 2017

## Registration number

03881244

# Independent auditors' report
To the members of Zytronic plc

## Opinion

In our opinion:

- Zytronic plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Zytronic plc which comprise:

| Group | Parent Company |
|---|---|
| Consolidated balance sheet as at 30 September 2017 | Balance sheet as at 30 September 2017 |
| Consolidated income statement for the year then ended | Statement of changes in equity for the year then ended |
| Consolidated statement of comprehensive income for the year then ended | Related notes 1 to 10 to the financial statements, including a summary of significant accounting policies |
| Consolidated statement of changes in equity for the year then ended | |
| Consolidated cash flow statement for the year then ended | |
| Related notes 1 to 27 to the financial statements, including a summary of significant accounting policies | |

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent auditors' report *continued*

To the members of Zytronic plc

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Overview of our audit approach

| | |
|---|---|
| **Key audit matters** | We have identified the following key audit matters, which were of most significance to our audit.<br>Significant risks:<br>• Improper revenue recognition.<br>• Risk of management override of controls – manual adjustments to revenue, expense accruals and provisions.<br>Other key audit matters:<br>• Appropriateness of amounts included within inventory relating to labour and overhead costs.<br>• Capitalisation of development expenditure. |
| **Audit scope** | • We performed an audit of the complete financial information of Zytronic plc, Zytronic Displays Limited and Zytronic Inc.<br>• Zytronic plc, Zytronic Displays Limited and Zytronic Inc. contributed 99% (2016: 100%) of the Group's profit before tax, 100% (2016: 100%) of the Group's revenue and 99% (2016: 99%) of the Group's total assets. |
| **Materiality** | • Overall Group materiality of £250,000 (2016: £217,000), which represents 5% of profit before tax. |

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

| Risk | Our response to the risk | Key observations communicated to the audit committee |
|---|---|---|
| **Improper revenue recognition**<br>**Refer to the Audit committee report (pages 23 and 24); accounting policies (pages 43 to 48); and note 2 of the consolidated financial statements (page 48)**<br>IAS 18 Revenue states that revenue from the sale of goods shall be recognised when there has been a transfer to the buyer of the significant risks and rewards of ownership of the goods.<br><br>The timing of when revenue is recognised is relevant to the Group performance. There are a variety of customer arrangements in place at 30 September 2017, which have different points when the risks and rewards of ownership are transferred to the customer.<br><br>There is opportunity through management override or error to recognise revenue ahead of transfer of risks and rewards of the goods to the customer and/or misstate allocation of revenue between periods. The timing of revenue recognition, including around the year end, is a significant focus for the audit. | We performed a walkthrough of the revenue transactions and assessed the design effectiveness of key controls.<br><br>We have gained an understanding of trading terms and conditions with key customers. We have tested the application of these terms through our sample testing.<br><br>We have performed analytical procedures on significant income accounts, by comparing revenue balances for the year against expectation, and corroborated significant variances. In addition we compared revenue by customer to activity in the prior year to understand revenue trends and movements.<br><br>We tested material revenue streams using data analytic techniques, focusing our detailed testing on unexpected trends and outliers. Our testing identified a correlation between revenue, trade receivables and cash. We substantively tested this correlation through a sample of transactions, which were agreed to invoice and cash recovery.<br><br>We tested the completeness of revenue by performing sample testing from sales orders to sales invoice to ensure revenue recognition is appropriate.<br><br>To address the risk of management override in revenue, we examined a sample of manual journal entries that were posted to revenue accounts. These manual adjustments which impact revenue, including the credit note provisions, were substantively tested.<br><br>We tested a sample of significant debtors' balances to cash receipts to confirm recoverability post year end.<br><br>We performed tests on sales transactions posted near to the year end to ensure that cut-off is correctly applied. | Based on the procedures performed, we did not identify any evidence of material misstatement in the revenue recognised in the year ending 30 September 2017.<br><br>We conclude that revenue has been recognised in accordance with the requirements of IAS 18 Revenue and there are no cut-off errors or indicators of fraudulent reporting. |

# Independent auditors' report *continued*

To the members of Zytronic plc

## Key audit matters *continued*

| Risk | Our response to the risk | Key observations communicated to the audit committee |
|---|---|---|
| **Risk of management override of controls – manual adjustments to revenue, expense accruals and provisions**<br>**Refer to the Audit committee report (pages 23 and 24)**<br>Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. The risk of management override is greater in areas where there are manual adjustments and judgement and we identified manual adjustments to revenue, postings to expense accruals and provisions as the areas most susceptible to this risk.<br><br>Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud. | We performed a fully substantive audit. We do not place reliance on internal controls and processes. However, we perform walkthrough procedures for significant classes of transactions to understand the controls in place to address the significant risks identified above. We evidence that controls are operating as designed.<br><br>We have identified areas of the accounts which are most susceptible to fraud, either in error or through management override. We have tailored our audit strategy to address these risks, by lowering the testing threshold applied in these areas.<br><br>We have discussed our audit approach around the testing of revenue recognition above, which also responds to this risk.<br><br>We have substantively tested material expense accruals and provisions to supporting calculations and source documentation. To address the risk of management override, we examined a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, and obtained source documentation to ensure that these were appropriately recorded in the general ledger. | We have assessed the control environment through our walkthroughs and concluded that the controls are operating as designed.<br><br>Accruals and provisions are routine in nature and we have corroborated balances at the year end to underlying support, with no material variances.<br><br>Our review of journal entries has not identified any indicators of management override.<br><br>We did not identify any evidence of material misstatement in the revenue recognised in the year or in expense accruals and provisions recognised as at 30 September 2017. |

## Key audit matters *continued*

| Risk | Our response to the risk | Key observations communicated to the audit committee |
|---|---|---|
| **Appropriateness of amounts included within inventory relating to labour and overhead costs**<br>**Refer to the Audit committee report (pages 23 and 24); accounting policies (pages 43 to 48); and note 11 of the consolidated financial statements (page 53)**<br>IAS 2 Inventories states that the cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion of inventories include costs directly related to the units of production, such as direct labour. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods.<br>The inventory valuation is impacted by the absorption of direct labour and allocation of overheads at the year end.<br>The labour and overhead absorption calculation should be based on "standard" levels of production and only include costs that are directly attributable to inventory production. If inappropriate costs are absorbed, this would result in a risk of material misstatement within inventory.<br>The risk is that non-production costs are incorrectly capitalised and consequently the income statement and balance sheet are impacted. | We obtained client calculations supporting the overhead rate used within the year-end inventory, based on the August 2017 financials. We tested the calculations by tracing all information to the trial balance.<br>We assessed the nature of the overheads included in the calculation to ensure compliance with the requirements of IAS 2 Inventories.<br>We recalculated the labour and overhead rates using September 2017 actuals and did not identify a material difference in inventory valuation using these revised rates.<br>We substantively tested the overhead costs through our testing of transactions on expenditure.<br>We substantively tested salary costs included in the calculation to underlying payroll records. | The calculations are consistent with the methodology applied in the previous year.<br>Based on the procedures performed, we did not identify any evidence of material misstatement in relation to absorption of labour and overhead costs within inventory as at 30 September 2017.<br>We conclude that inventory has been appropriately valued in accordance with the requirements of IAS 2 Inventories. |

# Independent auditors' report *continued*

To the members of Zytronic plc

## Key audit matters *continued*

| Risk | Our response to the risk | Key observations communicated to the audit committee |
|---|---|---|
| **Capitalisation of development costs**<br>**Refer to the Audit committee report (pages 23 and 24); accounting policies (pages 43 to 48); and note 9 of the consolidated financial Statements (pages 52 and 53)**<br>Zytronic capitalises development expenditure on certain ongoing and new projects in the year. These costs predominantly relate to internal labour incurred on projects which either are currently income generating or will become so in the future.<br><br>Under IAS 38 Intangible Assets, labour costs can only be capitalised when the product is viable and the associated costs are developmental in nature, rather than research. There is a risk that costs are capitalised during the research phase, rather than expensed to the income statement, resulting in overstatement of profit and the amounts capitalised within the balance sheet. | We have assessed the appropriateness of development cost capitalisation during our audit to ensure that costs are being capitalised in accordance with IAS 38 Intangible Assets.<br><br>Development costs capitalised in the year amount to £600,000. We substantively tested significant projects, agreeing external costs to supporting invoices, and agreed amounts recorded in respect of internal time to supporting payroll records to ensure that capitalised costs meet the requirements of IAS 38 Intangible Assets.<br><br>We have corroborated management's assessment of the appropriateness of development costs capitalised on significant projects to determine whether there are any indicators of impairment which could warrant the write-down of these capitalised costs.<br><br>We tested the appropriateness of costs capitalised and reviewed the status of key projects to understand where the technology is being used within the product process and to confirm that there is customer demand and sales for the product, which we have corroborated in our substantive testing of revenue and stock.<br><br>We obtained a management paper on impairment and corroborated this with the Research and Development Director and Finance Director and, through our substantive testing on revenue and stock, the status of significant projects which are assessed for impairment. We did not identify any indicators of impairment.<br><br>We have reviewed development expenditure capitalised from previous years to confirm that costs previously capitalised related to products which remain in production and are economically viable based on sales orders and forecasts. | Based on our procedures, the accounting for research and development costs is in accordance with the requirements of IAS 38 Intangible Assets. |

## An overview of the scope of our audit

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors when assessing the level of work to be performed at each entity.

We performed an audit of the complete financial information of Zytronic plc and the two companies Zytronic Displays Limited and Zytronic Inc.

For the current year, Zytronic plc, Zytronic Displays Limited and Zytronic Inc. contributed 99% (2016: 100%) of the Group's profit before tax, 100% (2016: 100%) of the Group's revenue and 99% (2016: 99%) of the Group's total assets. We have performed a full scope audit on Zytronic Displays Limited, testing significant balances to an assigned performance materiality of £190,000, which is lower than the statutory materiality. We have performed review procedures on Zytronic Inc. in accordance with an assigned performance materiality of £20,000.

All audit work performed for the purposes of the audit of Zytronic plc, Zytronic Displays Limited and Zytronic Inc. was undertaken by the Group audit team.

## Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £250,000 (2016: £217,000), which is 5% (2016: 5%) of profit before tax. We believe that profit before tax provides us with a consistent year-on-year basis for determining materiality and is the most relevant performance measure to the stakeholders of the Group.

During the course of our audit, we reassessed initial materiality. No change has been identified in final materiality from the original assessment at planning.

### Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely £190,000 (2016: £163,000). We have set performance materiality at this percentage which reflects our expectation of the level of audit differences based on the prior year.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality.

The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £20,000 to £190,000 (2016: £16,000 to £163,000).

### Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the audit committee that we would report to them all uncorrected audit differences in excess of £12,000 (2016: £11,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our Auditors' report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or

# Independent auditors' report *continued*
To the members of Zytronic plc

## Other information *continued*
otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception
In light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement set out on page 30, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

## Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

**Sandra Thompson**
**(Senior statutory auditor)**
for and on behalf of Ernst & Young LLP
Statutory Auditor
Newcastle upon Tyne
11 December 2017

**Notes:**

1. The maintenance and integrity of the Zytronic plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Consolidated statement of comprehensive income

## For the year ended 30 September 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| **Group revenue** | 2 | **22,892** | 21,087 |
| Cost of sales | | **(13,481)** | (12,071) |
| **Gross profit** | | **9,411** | 9,016 |
| Distribution costs | | **(393)** | (378) |
| Administration expenses | | **(3,591)** | (4,365) |
| **Group trading profit** | 3 | **5,427** | 4,273 |
| Finance costs | 5(a) | **(24)** | (23) |
| Finance revenue | 5(b) | **10** | 20 |
| **Profit before tax** | | **5,413** | 4,270 |
| Tax expense | 6 | **(825)** | (183) |
| **Profit for the year** | | **4,588** | 4,087 |
| **Earnings per share** | | | |
| Basic | 8 | **29.0p** | 26.6p |
| Diluted | 8 | **28.8p** | 26.1p |

All profits are from continuing operations.

# Consolidated statement of changes in equity

For the year ended 30 September 2017

| | Called up share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 October 2015 | 153 | 7,552 | 12,986 | 20,691 |
| Profit for the year | — | — | 4,087 | 4,087 |
| Tax recognised directly in equity | — | — | 72 | 72 |
| Exercise of share options | 1 | 214 | — | 215 |
| Share-based payments | — | — | 71 | 71 |
| Dividends | — | — | (1,900) | (1,900) |
| At 1 October 2016 | 154 | 7,766 | 15,316 | 23,236 |
| Profit for the year | — | — | 4,588 | 4,588 |
| Tax recognised directly in equity | — | — | 72 | 72 |
| Exercise of share options | 6 | 1,228 | — | 1,234 |
| Issue of capital reduction shares* | 8,919 | — | (8,919) | — |
| Cancellation of capital reduction shares* | (8,919) | — | 8,919 | — |
| Share-based payments | — | — | — | — |
| Dividends | — | — | (2,354) | (2,354) |
| **At 30 September 2017** | **160** | **8,994** | **17,622** | **26,776** |

* Refer to note 23.

# Consolidated balance sheet
## At 30 September 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 9 | **1,633** | 1,457 |
| Property, plant and equipment | 10 | **7,030** | 7,389 |
| | | **8,663** | 8,846 |
| **Current assets** | | | |
| Inventories | 11 | **2,996** | 2,760 |
| Trade and other receivables | 12 | **3,506** | 3,745 |
| Derivative financial assets | 13 | **54** | — |
| Cash and short term deposits | 14 | **14,099** | 12,763 |
| | | **20,655** | 19,268 |
| **Total assets** | | **29,318** | 28,114 |
| **Equity and liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 15 | **1,042** | 1,302 |
| Financial liabilities | 16 | **—** | 1,148 |
| Derivative financial liabilities | 16 | **—** | 959 |
| Provisions | 17 | **—** | 205 |
| Accruals | 15 | **862** | 834 |
| Tax liabilities | | **3** | 122 |
| | | **1,907** | 4,570 |
| **Non-current liabilities** | | | |
| Government grants | 18 | **25** | 48 |
| Deferred tax liabilities (net) | 20 | **610** | 260 |
| | | **635** | 308 |
| **Total liabilities** | | **2,542** | 4,878 |
| **Net assets** | | **26,776** | 23,236 |
| **Capital and reserves** | | | |
| Equity share capital | 22 | **160** | 154 |
| Share premium | 22 | **8,994** | 7,766 |
| Revenue reserve | 23 | **17,622** | 15,316 |
| **Total equity** | | **26,776** | 23,236 |

These financial statements have been approved by the Board of Directors and signed on its behalf by:

**Mark Cambridge**
Chief Executive
11 December 2017

**Claire Smith**
Group Finance Director

Zytronic Group plc: Registered number 03881244

# Consolidated cashflow statement

## For the year ended 30 September 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | **5,413** | 4,270 |
| Net finance costs | | **14** | 3 |
| Depreciation and impairment of property, plant and equipment | | **749** | 766 |
| Amortisation and impairment of intangible assets | | **424** | 355 |
| Amortisation of government grant | | **(42)** | (11) |
| Share-based payments | | **—** | 71 |
| Fair value movement on foreign exchange forward contracts | | **(1,013)** | 870 |
| **Working capital adjustments** | | | |
| (Increase)/decrease in inventories | | **(236)** | 454 |
| Decrease/(increase) in trade and other receivables | | **239** | (690) |
| (Decrease)/increase in trade and other payables and provisions | | **(356)** | 76 |
| Cash generated from operations | | **5,192** | 6,164 |
| Tax paid | | **(521)** | (576) |
| **Net cashflow from operating activities** | | **4,671** | 5,588 |
| **Investing activities** | | | |
| Interest received | | **10** | 20 |
| Receipt of government grant | | **19** | — |
| Payments to acquire property, plant and equipment | | **(472)** | (387) |
| Payments to acquire intangible assets | | **(600)** | (385) |
| **Net cashflow from investing activities** | | **(1,043)** | (752) |
| **Financing activities** | | | |
| Interest paid | | **(24)** | (21) |
| Dividends paid to equity shareholders of the Parent | | **(2,354)** | (1,900) |
| Proceeds from share issues relating to options | | **1,234** | 215 |
| Repayment of borrowings | | **(1,148)** | (200) |
| **Net cashflow used in financing activities** | | **(2,292)** | (1,906) |
| **Increase in cash and cash equivalents** | | **1,336** | 2,930 |
| Cash and cash equivalents at the beginning of the year | 14 | **12,763** | 9,833 |
| **Cash and cash equivalents at the year end** | 14 | **14,099** | 12,763 |

# Notes to the consolidated financial statements

For the year ended 30 September 2017

## 1. Accounting policies

### (a) Authorisation of financial statements and statement of compliance

The financial statements of Zytronic plc and its subsidiaries (the "Group") for the year ended 30 September 2017 were authorised for issue by the Board of Directors on 11 December 2017 and the balance sheet was signed on behalf of the Board by Mark Cambridge and Claire Smith. Zytronic plc is a public limited company, limited by shares, incorporated, domiciled and registered in England and Wales (company registration number 03881244). The Company's ordinary shares are traded on AIM. The address of the registered office is Whiteley Road, Blaydon-on-Tyne NE21 5NJ.

The consolidated financial statements 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. The Directors consider the following accounting policies to be relevant in relation to the Group's financial statements.

### (b) New standards and interpretations not yet effective

The Directors are currently considering the impact on the financial statements of the standards below that are issued but not yet effective.

IAS 7 Cash Flows (effective for accounting periods commencing on or after 1 January 2017). The amendments in Disclosure Initiative (amendments to IAS 7) state that disclosures should enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Zytronic will include this enhanced disclosure in the financial statements when necessary.

IFRS 9 Financial Instruments (effective for accounting periods commencing on or after 1 January 2018). This new standard introduces new requirements of classification and measurement of financial assets and financial liabilities, impairment and hedge accounting. It replaces IAS 39 Financial Instruments: Recognition and Measurement. Zytronic currently measures its financial instruments, of which there are only forward currency contracts, in its statement of financial position and concludes there will be minimal impact of this new standard. The implementation of IFRS 9 is not expected to have any impact on trade receivables, trade payables and cash.

IFRS 15 Revenue from Contracts with Customers (effective for accounting periods commencing on or after 1 January 2018). The impact of this new standard on Zytronic's revenue recognition policies and processes is currently being reviewed.

IFRS 16 Leases (effective for accounting periods commencing on or after 1 January 2019). For lessees, the standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model. Lessees will be required to recognise assets and liabilities in respect of the minimum lease payment for all leases with a term of more than twelve months, and show depreciation of leased assets and interest on leased liabilities separately in the income statement. Given the insignificance of the Group leasing arrangements, the Group does not expect adoption of this standard to have a material impact on the financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for accounting periods commencing on or after 1 January 2018). This amendment clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. Zytronic has noted the requirements of this new amendment and confirms that all foreign currency transactions or parts of transactions which are received in advance will be recorded at the date of the transaction. For the purpose of determining the exchange rate, this will be the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are a number of payments or receipts in advance, a date of transaction will be established for each payment or receipt.

### (c) Judgements and key sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures at the date of the financial statements and the reported income and expense during the year. Although these judgements and assumptions are based on the Directors' best knowledge of the amounts, events or actions, actual results may differ from those estimates.

In the process of applying the Group's accounting policies, the Directors have made the following judgements concerning the future and other key sources of estimation uncertainty at the statement of financial position date which have the most significant effect on the amounts recognised in the financial statements.

#### Development costs

Development costs are capitalised in accordance with the accounting policy given overleaf. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone. Management apply judgement in the review of costs capitalised to determine whether any impairment should be recognised.

# Notes to the consolidated financial statements *continued*
For the year ended 30 September 2017

## 1. Accounting policies *continued*

### (d) Key sources of estimation uncertainty
There are no key sources of estimation uncertainty at the balance sheet date.

### (e) Basis of consolidation and goodwill
The consolidated financial statements 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.

All intra-group balances and transactions, including unrealised profits arising from them, are eliminated.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

### (f) Exceptional items
The Group presents as exceptional items on the face of the income statement those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

### (g) Foreign currencies
The consolidated financial statements are presented in Sterling, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. The Group enters into forward exchange contracts for up to four months ahead to manage its foreign exchange risk. Refer to note 16.

### (h) Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and impairment charges. Such costs include those directly attributable to making the asset capable of operating as intended and the cost of replacing significant parts of such plant and equipment when that cost is incurred, if the recognition criteria are met. Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

| | | |
|---|---|---|
| Freehold land | – | nil |
| Freehold property | – | 50 years |
| Long leasehold property | – | 30–50 years |
| Plant and machinery | – | varying rates between 5% and 25% per annum |

Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted, if appropriate. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's fair value, or the cash-generating unit's fair value of which it forms part, less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

## 1. Accounting policies *continued*

### (i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is deemed to be their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Other than capitalised development costs, internally generated intangible assets are not capitalised.

Intangible assets are amortised on a straight line basis over their useful economic lives and reviewed for impairment at each financial year end. The amortisation expense on intangible assets is recognised in the income statement in the expense category consistent with the function of the intangible asset. The estimated useful lives are as follows:

| | | |
|---|---|---|
| Patents | – | 20 years |
| Licences | – | period of licensing agreements (between ten and 17 years) |
| Capitalised development expenditure | – | three to ten years |
| Software | – | four years |

Capitalised development expenditure in relation to electronics and software is usually amortised over a period of up to five years as the shelf life of such technology is shorter. Hardware development is usually amortised over a period of up to ten years.

Intangible assets with indefinite useful lives, such as goodwill, are tested for impairment annually and are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

### Patent applications

The costs associated with the drafting and filing of patent applications are capitalised as incurred.

Those costs are not amortised until the patent has been granted, after which they will be amortised over its useful economic life of 20 years. If the application fails, the capitalised costs will then be impaired and written off.

### (j) Research and development costs

Research expenditure is written off as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during the development.

During the period of development, the asset is tested annually for impairment. Following the initial recognition of the development expenditure, the cost model (as defined in IFRS) is applied, requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future sales.

### (k) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

| | | |
|---|---|---|
| Raw materials | – | purchase cost on a first-in, first-out basis |
| Finished goods and work in progress | – | cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs |

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### (l) Trade and other receivables

Trade receivables are recognised and carried at their original amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. Trade and other receivables do not carry interest.

# Notes to the consolidated financial statements *continued*

For the year ended 30 September 2017

## 1. Accounting policies *continued*

### (m) Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an initial maturity of three months or less or for a longer period but with the ability to break the deposit with a similar notice period. Bank overdrafts are shown within financial assets on the balance sheet as the Group has a set-off arrangement in place. For the purpose of the cashflow statement, cash and cash equivalents comprise these balances, net of outstanding bank overdrafts.

### (n) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the costs of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### (o) Derecognition of financial assets and liabilities

A financial asset or financial liability is derecognised when the contract that gives rise to it is discharged, sold or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

### (p) Financial instruments

#### Fair value measurement of financial instruments

The Group remeasures its derivatives at fair value at each balance sheet date and for disclosure purposes estimates the fair value of its remaining financial instruments. Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

### (q) Pension scheme

The Group operates a group personal pension scheme, which is a defined contribution scheme, for its employees. Contributions are recognised in the income statement as they become payable in accordance with the rules of the scheme.

## 1. Accounting policies *continued*

### (r) Share-based payment transactions

#### Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service performance conditions (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions and the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market vesting condition or a non-vesting condition, be treated as vesting. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

### (s) Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. This is when the goods have been dispatched or made available to the customer, an invoice has been raised for them and the Group's obligations to the customer have been met. There is not usually any significant delay between the occurrence of these three events.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes. Appropriate provisions for known returns are deducted from revenue.

### (t) Government grants and subsidies

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with, normally when a grant claim has been approved by the government authority and the grant monies have been received. The fair value of grants is credited to a deferred income account and released to the income statement over the life of the projects to which they relate.

The interest rate subsidy received, as a discounted upfront cash sum, by the Group under the National Loan Guarantee Subsidy Scheme was credited to a deferred interest subsidy account and was released to the income statement over the life of the loan upon which it was based.

# Notes to the consolidated financial statements *continued*

For the year ended 30 September 2017

## 1. Accounting policies *continued*

### (u) Deferred tax

Deferred tax is recognised in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill, or of an asset or liability, in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the related asset or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

## 2. 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 Group 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 2017 | | 30 September 2016 | |
|---|---|---|---|---|
| | £'000 | % | £'000 | % |
| Sale of goods – Americas (excluding USA) | **368** | **2** | 342 | 2 |
| – USA | **3,779** | **17** | 3,575 | 17 |
| – EMEA (excluding UK and Hungary) | **4,345** | **19** | 4,758 | 22 |
| – Hungary | **3,482** | **15** | 3,230 | 15 |
| – UK | **3,046** | **13** | 970 | 5 |
| – APAC (excluding South Korea) | **3,032** | **13** | 2,896 | 14 |
| – South Korea | **4,840** | **21** | 5,316 | 25 |
| **Revenue** | **22,892** | **100** | 21,087 | 100 |
| Finance revenue | **10** | | 20 | |
| **Total revenue** | **22,902** | | 21,107 | |

Individual revenues from four major customers exceeded 10% of total revenue for the year. The total amount of revenue was £13.8m (2016: £12.2m).

The individual revenues from each of these four customers were: £4.7m (2016: £4.2m); £4.5m (2016: £5.0m); £2.3m (2016: £2.9m) and £2.3m (2016: £0.1m).

## 3. Group trading profit

This is stated after charging/(crediting):

| | 30 September 2017 £'000 | 30 September 2016 £'000 |
|---|---|---|
| R&D costs | 432 | 395 |
| Amortisation and impairment of development expenditure | 256 | 201 |
| | 688 | 596 |
| Auditors' remuneration – in respect of audit services* | 62 | 60 |
| – in respect of taxation compliance services | 3 | 9 |
| – in respect of taxation advisory services | 14 | 15 |
| Depreciation of owned assets | 749 | 766 |
| Amortisation of software | 33 | 35 |
| Amortisation, impairment and write-off of licences | 135 | 119 |
| Cost of inventories recognised as an expense including: | 7,418 | 6,660 |
| – write-down of inventories to net realisable value | (12) | 40 |
| – the net movement in the stock provision | (37) | (4) |
| Operating lease rentals – minimum lease payments | 22 | 38 |
| Amortisation of capital grants | (42) | (11) |
| Net foreign currency contract differences | (1,013) | 870 |
| Net foreign currency revaluation differences | 1,045 | 134 |

* £16,000 of this relates to the Company (2016: £16,000).

## 4. Staff costs and Directors' emoluments

| | 30 September 2017 £'000 | 30 September 2016 £'000 |
|---|---|---|
| Wages and salaries | 5,356 | 4,922 |
| Social security costs | 471 | 437 |
| Other pension costs | 166 | 148 |
| | 5,993 | 5,507 |

Included in wages and salaries is a total charge for share-based payments of £Nil (2016: £71,000), all of which arises from transactions accounted for as equity-settled share-based payment transactions.

The total of Directors' emoluments is £986,000 (2016: £577,000). The aggregate value of contributions paid to money purchase pension schemes includes £59,000 (2016: £68,000) in respect of two Directors (2016: two).

Amounts paid to the highest paid Director are £440,000 (2016: £276,000) plus a contribution paid to the money purchase pension scheme of £48,000 (2016: £31,000).

The average number of employees during the year was made up as follows:

| | 30 September 2017 Number | 30 September 2016 Number |
|---|---|---|
| Production | 146 | 129 |
| Administration and sales | 45 | 45 |
| | 191 | 174 |

The information required by AIM rule Schedule 5 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2009 is contained in the Remuneration report under Directors' emoluments, pension contributions, Directors' shareholdings and Directors' share options.

# Notes to the consolidated financial statements *continued*

For the year ended 30 September 2017

## 5. Finance costs payable and revenue receivable

### (a) Finance costs

| Interest payable | 30 September 2017 £'000 | 30 September 2016 £'000 |
|---|---|---|
| Bank loans and overdrafts | **24** | 23 |

### (b) Finance revenue

| Interest receivable | 30 September 2017 £'000 | 30 September 2016 £'000 |
|---|---|---|
| Bank interest receivable | **10** | 20 |

## 6. Tax

| | 30 September 2017 £'000 | 30 September 2016 £'000 |
|---|---|---|
| **Current tax** | | |
| UK corporation tax | **576** | 732 |
| Corporation tax over-provided in prior years | **–** | (289) |
| Total current tax charge | **576** | 443 |
| **Deferred tax** | | |
| Effect of change in tax rates | **–** | (103) |
| Origination and reversal of temporary differences | **249** | (157) |
| Total deferred tax charge/(credit) | **249** | (260) |
| Tax charge in the income statement | **825** | 183 |

### Tax relating to items debited to equity

| | 30 September 2017 £'000 | 30 September 2016 £'000 |
|---|---|---|
| **Deferred tax** | | |
| Tax on share-based payments | **(72)** | (72) |
| Total deferred tax debit | **(72)** | (72) |
| Tax charge in the statement of changes in equity | **(72)** | (72) |

### Reconciliation of the total tax charge

The effective tax rate of the tax expense in the income statement for the year is 15% (2016: 4%) compared with the average rate of corporation tax in the UK of 19.5% (2016: 20%). The differences are reconciled below:

| | 30 September 2017 £'000 | 30 September 2016 £'000 |
|---|---|---|
| Accounting profit before tax | **5,413** | 4,270 |
| Accounting profit multiplied by the average UK rate of corporation tax of 19.5% (2016: 20%) | **1,056** | 854 |
| **Effects of:** | | |
| Expenses not deductible for tax purposes | **32** | 16 |
| "Gain" on exercise of share options allowable for tax purposes but not reflected in the income statement | **–** | (42) |
| Depreciation in respect of non-qualifying items | **33** | 38 |
| Enhanced tax reliefs – R&D | **(229)** | (187) |
| Enhanced tax reliefs – Patent Box | **(31)** | (127) |
| Effect of deferred tax rate reduction and difference in tax rates | **(36)** | (80) |
| Tax over-provided in prior years | **–** | (289) |
| Total tax expense reported in the income statement | **825** | 183 |

## 6. Tax *continued*

### 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.

There are no tax losses to carry forward at 30 September 2017 (2016: £Nil).

The main rate of corporation tax in the UK reduced to 19% with effect from 1 April 2017. The rate will be reduced to 17% from 1 April 2020. Both of these lower rates have been substantively enacted by the balance sheet date. As the majority of the temporary differences will reverse when the rate is 17%, this rate has been applied to the deferred tax assets and liabilities arising at the balance sheet 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 the 2014, 2015 and 2016 accounting periods, and the 2017 benefit has been estimated.

## 7. Dividends

The Directors propose the payment of a final dividend of 15.2p per share (2016: 10.96p), payable on 9 March 2018 to shareholders on the Register of Members on 23 February 2018. This dividend has not been accrued in these financial statements. The dividend payment will amount to some £2.4m.

| | 30 September 2017 £'000 | 30 September 2016 £'000 |
|---|---|---|
| **Ordinary dividends on equity shares** | | |
| Final dividend of 8.87p per ordinary share paid on 11 March 2016 | — | 1,368 |
| Interim dividend of 3.45p per ordinary share paid on 22 July 2016 | — | 532 |
| Final dividend of 10.96p per ordinary share paid on 3 March 2017 | 1,744 | — |
| Interim dividend of 3.80p per ordinary share paid on 21 July 2017 | 610 | — |
| | 2,354 | 1,900 |

## 8. 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.

| | Earnings 30 September 2017 £'000 | Weighted average number of shares 30 September 2017 Thousands | EPS 30 September 2017 Pence | Earnings 30 September 2016 £'000 | Weighted average number of shares 30 September 2016 Thousands | EPS 30 September 2016 Pence |
|---|---|---|---|---|---|---|
| Profit on ordinary activities after tax | 4,588 | 15,819 | 29.0 | 4,087 | 15,346 | 26.6 |
| Basic EPS | 4,588 | 15,819 | 29.0 | 4,087 | 15,346 | 26.6 |

# Notes to the consolidated financial statements *continued*

For the year ended 30 September 2017

## 8. Earnings per share *continued*

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

| | **Earnings 30 September 2017 £'000** | **Weighted average number of shares 30 September 2017 Thousands** | **EPS 30 September 2017 Pence** | Earnings 30 September 2016 £'000 | Weighted average number of shares 30 September 2016 Thousands | EPS 30 September 2016 Pence |
|---|---|---|---|---|---|---|
| Profit on ordinary activities after tax | **4,588** | **15,819** | **29.0** | 4,087 | 15,346 | 26.6 |
| Weighted average number of shares under option | **—** | **131** | **(0.2)** | — | 299 | (0.5) |
| Diluted EPS | **4,588** | **15,950** | **28.8** | 4,087 | 15,645 | 26.1 |

## 9. Intangible assets

| | Software £'000 | Goodwill £'000 | Patents and licences £'000 | Development expenditure £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 October 2015 | 578 | 235 | 1,975 | 2,467 | 5,255 |
| Additions | 20 | — | 42 | 323 | 385 |
| At 1 October 2016 | 598 | 235 | 2,017 | 2,790 | 5,640 |
| Additions | — | — | 63 | 537 | 600 |
| Disposals | — | — | (48) | — | (48) |
| **At 30 September 2017** | **598** | **235** | **2,032** | **3,327** | **6,192** |
| **Amortisation and impairment** | | | | | |
| At 1 October 2015 | 507 | — | 1,599 | 1,722 | 3,828 |
| Provided during the year | 35 | — | 105 | 201 | 341 |
| Impaired during the year | — | — | 14 | — | 14 |
| At 1 October 2016 | 542 | — | 1,718 | 1,923 | 4,183 |
| Provided during the year | 33 | — | 106 | 256 | 395 |
| Impaired during the year | — | — | (19) | — | (19) |
| **At 30 September 2017** | **575** | **—** | **1,805** | **2,179** | **4,559** |
| **Net book value at 30 September 2017** | **23** | **235** | **227** | **1,148** | **1,633** |
| Net book value at 1 October 2016 | 56 | 235 | 299 | 867 | 1,457 |
| Net book value at 1 October 2015 | 71 | 235 | 376 | 745 | 1,427 |

Included within cost is £0.5m (2016: £0.5m) relating to capitalised development costs which have been fully amortised but continue to be utilised in the business.

### Impairment of goodwill

The goodwill of £235,000 relates to the operations of Intasolve Limited, which were merged into the business of Zytronic Displays Limited on 1 September 2002.

Zytronic Displays Limited operates in one continuing area of activity, which is the lowest level at which goodwill is monitored for internal purposes. That activity has demonstrated growth in sales revenues, gross profit margins, profitability before tax and cash generation over recent years.

The recoverable amount of goodwill has been determined based on a value-in-use calculation for the cash-generating unit, using cashflow projections based on financial budgets and forecasts approved by senior management covering a three-year period. Growth has been extrapolated forward from the end of the forecasts using a growth rate of 3%, which reflects the Directors' view of the long term growth rate in the business.

## 9. Intangible assets *continued*

**Impairment of goodwill** *continued*

The cashflows for the cash-generating unit have been discounted using a discount rate of 10%, derived from the Group's weighted average cost of capital.

The calculation of value in use is most sensitive to the forecast operating cashflows, the discount rate and the growth rate used to extrapolate cashflows beyond the budget period. The operating cashflows are based on assumptions of revenue, cost of sales and general overheads. These assumptions are influenced by several factors both internally and externally.

The Directors consider the assumptions used around revenue and costs to be consistent with the historical performance and to be realistically achievable in light of economic and industry measures and forecasts. It is believed that any reasonably possible movement on assumptions will not lead to an impairment and we have therefore not presented any sensitivity analysis.

## 10. Property, plant and equipment

The amounts carried in the balance sheet comprise:

| | Land £'000 | Freehold property £'000 | Long leasehold property £'000 | Plant and machinery £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 October 2015 | 207 | 3,070 | 2,425 | 9,754 | 15,456 |
| Additions | — | — | 26 | 322 | 348 |
| At 1 October 2016 | 207 | 3,070 | 2,451 | 10,076 | 15,804 |
| Additions | — | — | 12 | 378 | 390 |
| Disposals | — | — | — | (27) | (27) |
| **At 30 September 2017** | **207** | **3,070** | **2,463** | **10,427** | **16,167** |
| **Depreciation and impairment** | | | | | |
| At 1 October 2015 | — | 462 | 452 | 6,735 | 7,649 |
| Provided during the year | — | 61 | 79 | 626 | 766 |
| At 1 October 2016 | — | 523 | 531 | 7,361 | 8,415 |
| Provided during the year | — | 61 | 82 | 606 | 749 |
| Disposals | — | — | — | (27) | (27) |
| **At 30 September 2017** | **—** | **584** | **613** | **7,940** | **9,137** |
| **Net book value at 30 September 2017** | **207** | **2,486** | **1,850** | **2,487** | **7,030** |
| Net book value at 1 October 2016 | 207 | 2,547 | 1,920 | 2,715 | 7,389 |
| Net book value at 1 October 2015 | 207 | 2,608 | 1,973 | 3,019 | 7,807 |

## 11. Inventories

| | **30 September 2017 £'000** | 30 September 2016 £'000 |
|---|---|---|
| Raw materials and consumables | **1,695** | 1,721 |
| Work in progress | **449** | 467 |
| Finished goods | **852** | 572 |
| | **2,996** | 2,760 |

The difference between purchase price or production cost of stocks and their replacement cost is not material.

# Notes to the consolidated financial statements *continued*
For the year ended 30 September 2017

## 12. Trade and other receivables
### Current assets

| | 30 September 2017 £'000 | 30 September 2016 £'000 |
|---|---|---|
| Trade receivables | 3,232 | 3,469 |
| VAT recoverable | 59 | 90 |
| Prepayments | 215 | 186 |
| | 3,506 | 3,745 |

Trade receivables are denominated in the following currencies:

| | 30 September 2017 £'000 | 30 September 2016 £'000 |
|---|---|---|
| Sterling | 980 | 576 |
| US Dollar | 1,480 | 1,846 |
| Euro | 772 | 1,047 |
| | 3,232 | 3,469 |

Out of the carrying amount of trade receivables of £3.2m (2016: £3.5m), £1.6m (2016: £2.5m) is the amount of debts owed by four major customers. Regular reviews are undertaken on these major customers so as to ascertain that there are no going concern issues with them.

Trade receivables are non-interest bearing and are generally on 30 to 60-day terms. They are shown net of a provision for impairment.

As at 30 September 2017, trade receivables at a nominal value of £6,000 (2016: £37,000) were impaired due to poor payment history. Movements in the provision for impairment of trade receivables were as follows:

| | £'000 |
|---|---|
| At 1 October 2015 | 26 |
| Charge for the year | 33 |
| Utilised | (22) |
| At 1 October 2016 | 37 |
| Charge for the year | 4 |
| Utilised | (35) |
| **At 30 September 2017** | **6** |

At 30 September, the ageing analysis of trade receivables overdue but not impaired was as follows:

| | Neither past due nor impaired | Past due but not impaired <3 months £'000 | Past due but not impaired >3 months £'000 | Total £'000 |
|---|---|---|---|---|
| **2017** | **2,638** | **577** | **17** | **3,232** |
| 2016 | 2,933 | 530 | 6 | 3,469 |

Credit limits are set for each customer, using Dun & Bradstreet credit reports as appropriate, or pro-forma invoices are raised, or cash upfront is received for a new customer where a credit limit is not easily established. Slow payers are chased vigorously, including making use of solicitors in the collection process. The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available; otherwise, historical information relating to counterparty default rates is used.

## 13. Financial assets

| | 30 September 2017 £'000 | 30 September 2016 £'000 |
|---|---|---|
| Foreign exchange forward contracts | **54** | — |
| Total current | **54** | — |
| Total non-current | **—** | — |

The foreign exchange forward contract liabilities above are measured at fair value through the income statement as they are not in designated hedge relationships. They are, nevertheless, intended to reduce the level of foreign currency risk for expected sales and purchases. Refer to note 16 for determination of fair value.

## 14. Cash and short term deposits

| | 30 September 2017 £'000 | 30 September 2016 £'000 |
|---|---|---|
| Cash at bank and in hand | **11,679** | 9,097 |
| Short term deposits | **3,089** | 3,666 |
| Bank overdrafts | **(669)** | — |
| | **14,099** | 12,763 |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for variable lengths, being overnight, three months or one year (with break conditions), depending on the immediate cash requirements of the Group, and earn interest at variable rates.

At 30 September 2017, the Group had available a net £1.0m (total cash less overdrawn accounts) overdraft facility from Barclays Bank plc which will fall for review in November 2018.

The fair value of cash and cash equivalents is £14.1m (2016: £12.8m).

## 15. Trade and other payables

| | 30 September 2017 £'000 | 30 September 2016 £'000 |
|---|---|---|
| Trade payables | **914** | 1,188 |
| Other taxes and social security costs | **128** | 114 |
| | **1,042** | 1,302 |
| Accruals | **862** | 834 |
| | **1,904** | 2,136 |

Terms and conditions of the above financial liabilities are as follows:

- trade payables are non-interest bearing and are normally settled on 30-day terms.

# Notes to the consolidated financial statements *continued*

For the year ended 30 September 2017

## 16. Financial liabilities

| Loans | 30 September 2017 £'000 | 30 September 2016 £'000 |
|---|---|---|
| Bank loan – current (a) | – | 1,148 |
| Foreign exchange forward contracts (b) | – | 959 |
| Total | – | 2,107 |
| Total current | – | 2,107 |
| Total non-current | – | – |

The foreign exchange forward contract liabilities above are measured at fair value through the income statement as they are not in designated hedge relationships. They are, nevertheless, intended to reduce the level of foreign currency risk for expected sales and purchases.

### (a) Property mortgage

On 29 June 2012, Zytronic plc borrowed £2.0m under a ten-year mortgage (to be re-financed or repaid after five years) with Barclays Bank plc to re-mortgage the borrowings on its three properties. The funds were fully repaid on 29 June 2017.

### (b) Fair values

The fair value of the financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Management asserts that the fair values of cash, trade receivables and trade payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

At 30 September 2017, the Group has used a Level 2 valuation technique to determine the fair value of all forward exchange contracts and loans.

### Derivative financial instruments

The Group enters into derivative financial instruments with financial institutions. Derivatives valued using valuation techniques with market observable inputs are foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations prepared by the financial institutions. The models incorporate foreign exchange spot and forward rates, and interest rate curves. These derivatives are valued externally by the financial institutions using both intrinsic value and time value, which is standard market practice.

## 17. Provisions

| | Total £'000 |
|---|---|
| At 1 October 2016 | 205 |
| Utilised during the year | (205) |
| **At 30 September 2017** | **–** |

### Long term incentive plan

The provision for the 2016 long term incentive plan relating to the Chief Executive, the Group Finance Director and other management personnel was calculated based on future expectations that the bonus would be payable. This was utilised in the financial year.

## 18. Government grants

| | 30 September 2017 £'000 | 30 September 2016 £'000 |
|---|---|---|
| At 1 October | 48 | 59 |
| Received during the year | 19 | — |
| Released to the income statement | (42) | (11) |
| **At 30 September** | **25** | 48 |
| Non-current | 25 | 48 |

The government grant was received as part of R&D work on a European Commission ("EC") consortium project.

There are no unfulfilled obligations or contingencies attached to this grant.

## 19. Obligations under leases

Minimum lease payments under non-cancellable operating leases are as follows:

| Group as lessee | 30 September 2017 £'000 | 30 September 2016 £'000 |
|---|---|---|
| Operating leases which expire: | | |
| – not later than one year | 7 | 7 |
| – later than one year and not later than five years | 16 | 1 |
| | 23 | 8 |

## 20. Deferred tax liability/(asset)

The deferred tax included in the balance sheet is as follows:

| | 30 September 2017 £'000 | 30 September 2016 £'000 |
|---|---|---|
| **Deferred tax liability** | | |
| Accelerated capital allowances | 403 | 431 |
| R&D tax credit | 200 | 147 |
| Other | (1) | 10 |
| | 602 | 588 |
| **Deferred tax asset** | | |
| Fair value movement on currency contracts | 9 | (163) |
| Share-based payments | — | (163) |
| Pension asset | (1) | (2) |
| | 8 | (328) |
| **Disclosed on the balance sheet** | **610** | 260 |

# Notes to the consolidated financial statements *continued*

For the year ended 30 September 2017

## 20. Deferred tax liability/(asset) *continued*

The deferred tax included in the Group income statement is as follows:

| | 30 September 2017 £'000 | 30 September 2016 £'000 |
|---|---|---|
| **Deferred tax in the income statement** | | |
| Fair value movement on currency contracts | **172** | (163) |
| Accelerated capital allowances | **(28)** | (22) |
| R&D tax credits | **53** | 20 |
| Share-based payments | **63** | 7 |
| Other | **(11)** | 1 |
| | **249** | (157) |
| Effect of change in tax rates | **–** | (103) |
| Deferred income tax expense | **249** | (260) |

## 21. Financial risk management policy and financial instruments

The Group's principal financial instruments comprise an overdraft facility, cash and forward foreign exchange contract derivatives. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments, such as trade receivables and trade payables, that arise directly from its operations.

The main risks associated with the Group's financial assets and liabilities are set out below:

### Credit risk

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the Group provides goods on deferred terms.

Group policies are aimed at minimising such losses and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and/or satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure that the Group's exposure to bad debts is not significant. Goods may be sold on a cash-with-order basis to mitigate credit risk.

Management's assessment of the maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date.

### Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generated by its operations. Capital expenditure is approved at Group level.

Flexibility is maintained by retaining surplus cash in readily accessible bank accounts.

The Group has an unsecured net overdraft facility of £1.0m arranged with its principal banker, Barclays Bank plc. This facility extends until November 2018 and is to provide funding for working capital.

## 21. Financial risk management policy and financial instruments *continued*

**Maturity profile of financial liabilities**
**Year ended 30 September 2017**

| | On demand £'000 | <3 months £'000 | 3–12 months £'000 | 1–5 years £'000 | Total £'000 |
|---|---|---|---|---|---|
| Trade and other payables | **1,319** | **457** | **—** | **—** | **1,776** |
| Foreign exchange forward contracts – outflows | **—** | **1,929** | **620** | **—** | **2,549** |
| Total | **1,319** | **2,386** | **620** | **—** | **4,325** |

**Year ended 30 September 2016**

| | On demand £'000 | <3 months £'000 | 3–12 months £'000 | 1–5 years £'000 | Total £'000 |
|---|---|---|---|---|---|
| Interest-bearing loans and borrowings | — | 59 | 175 | 1,027 | 1,261 |
| Trade and other payables | 1,374 | 648 | — | — | 2,022 |
| Foreign exchange forward contracts – outflows | — | 1,721 | 5,546 | — | 7,267 |
| Total | 1,374 | 2,428 | 5,721 | 1,027 | 10,550 |

Derivatives comprise both cashflows from derivative financial instruments with negative fair values and cashflows from derivatives with positive fair values for which gross settlement has been agreed. The cash outflows from derivatives for which gross settlement has been agreed are matched in part by cash inflows. These cash inflows are not reported in the maturity analysis above. If these cash inflows were recognised, the cashflows presented would be substantially lower.

### Foreign exchange risk

Foreign currency risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency).

The Group has a policy in that forward contracts are used to sell surplus US Dollars and Euros, generated from sales less purchases in those currencies. Contracts are in place at 30 September 2017 for a period of four months ahead in line with working capital requirements. Any additional surplus currency at the end of each month is dealt with at spot rates.

The Group entered into forward vanilla contracts during the year in both US Dollars and Euros. The US Dollar forward vanilla contracts are fixed over a series of four one-monthly contracts at rates between $1.2694 and $1.3509 and are in place until January 2018. The Euro forward vanilla contracts are fixed over a series of four one-monthly contracts at rates between €1.0983 and €1.1382, and are also in place until January 2018.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar and Euro exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

| | Change in US Dollar rate | Effect on profit before tax £'000 | Change in Euro rate | Effect on profit before tax £'000 |
|---|---|---|---|---|
| **2017** | | | | |
| **Sterling** | **+10%** | **(90)** | **+10%** | **(50)** |
| | **-10%** | **110** | **-10%** | **62** |
| 2016 | | | | |
| Sterling | +10% | (183) | +10% | (75) |
| | -10% | 224 | -10% | 91 |

### Capital management

The Group's policies on capital management are included in the Directors' report on page 29.

FINANCIAL STATEMENTS

# Notes to the consolidated financial statements *continued*

For the year ended 30 September 2017

## 22. Share capital and share-based payments

### (a) Share capital

| | 2017 Number Thousands | 2016 Number Thousands | 2017 £'000 | 2016 £'000 |
|---|---|---|---|---|
| **Allotted, called up and fully paid** | | | | |
| Ordinary shares of 1p each | **16,044** | 15,430 | **160** | 154 |

### (b) Share premium

| | £'000 |
|---|---|
| At 1 October 2016 | 7,766 |
| Increase in cash on exercise of share options | 1,228 |
| **At 30 September 2017** | **8,994** |

### (c) Share-based payments

#### Senior Executive Plans and EMI Scheme – pre-2014 awards

Share options are granted to senior Executives at the discretion of the remuneration committee. The exercise price of the options is based on the market price of the shares at the date of grant. In most instances the options vest three years from the date of grant, and the contractual life of each option granted is ten years. There are no cash settlement alternatives.

#### Senior Executive Plans and EMI Scheme – 2014 awards

The remuneration committee agreed, in March 2014, an incentive award scheme for Mark Cambridge, Chief Executive, and Claire Smith, Group Finance Director, to offer them each up to 125,000 shares, and for other Executives, a combined volume of 275,000 shares, at a price of 200.0p per share, to vest based on specified performance criteria:

- the consolidated PBT, before bonuses payable to certain individuals, of the Group for the accounting period ending 30 September 2016 being in excess of £4.5m; and
- the consolidated PBT, before bonuses payable to certain individuals, of the Group for the three accounting periods ending 30 September 2014, 2015 and 2016, being together at least £10.0m (where a loss in any such period shall be treated as a minus for those three years).

The performance target set out above was satisfied and therefore the option shares vested on 12 December 2016.

The exercise of this option was conditional on the option holder entering into an agreement with the Company pursuant to which the option holder agreed to retain one-third in aggregate of the shares acquired pursuant to the exercise of this option for a period of two years from the date of exercise of the option and to deposit the share certificate in respect of such shares with the Company Secretary for the retention period.

During the year the Group had two share option schemes in place: an Unapproved Executive Option Scheme and an Enterprise Management Incentive ("EMI") Scheme. Under these schemes, options to subscribe for the Company's shares have been granted as follows:

| | 30 September 2016 Number | Granted during year Number | Exercised during year Number | Lapsed during year Number | 30 September 2017 Number | Exercise dates | Option price |
|---|---|---|---|---|---|---|---|
| Unapproved Executive Option Scheme | 20,000 | — | (20,000) | — | – | 29 March 2016 to 28 March 2021 | 172.8p |
| | 141,861* | — | (141,861) | — | – | December 2016 to December 2018 | 200.0p |
| EMI Scheme | 1,854 | — | (1,854) | — | – | 29 March 2014 to 28 March 2021 | 216.0p |
| | 27,659 | — | (27,659) | — | – | 25 January 2015 to 24 January 2022 | 243.5p |
| | 20,000 | — | (20,000) | — | – | 25 January 2016 to 24 January 2022 | 195.0p |
| | 20,000 | — | (20,000) | — | – | 25 January 2017 to 24 January 2022 | 195.0p |
| | 383,139* | — | (383,139) | — | – | December 2016 to December 2018 | 200.0p |

* These options are subject to the performance criteria described above. No performance conditions are attached to any of the other outstanding share options.

## 22. Share capital and share-based payments *continued*

### (c) Share-based payments *continued*

**Income statement expense for year ended 30 September 2017**

The expense recognised for share-based payments in respect of employee services received during the year to 30 September 2017 is £Nil (2016: £71,000).

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year:

| | 2017 Number | 2017 WAEP Pence | 2016 Number | 2016 WAEP Pence |
|---|---|---|---|---|
| Outstanding at 1 October | 614,513 | 200.8 | 721,695 | 200.8 |
| Exercised during the year | (614,513) | 200.8 | (107,182) | 201.0 |
| Outstanding at 30 September | – | – | 614,513 | 200.8 |
| Exercisable at 30 September | – | – | 69,513 | 208.5 |

There are no share options outstanding as at 30 September 2017.

There was no grant of options during the year.

The fair value of equity-settled share options granted is estimated as at the date of grant using a model designed by the Quoted Company Alliance (based on a Black-Scholes-Merton model), taking into account the terms and conditions upon which the options were granted.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options grant were incorporated into the measurement of fair value.

## 23. Revenue reserve

On 22 March 2017, the Group carried out a capital reduction exercise whereby £8.9m of the Group's undistributable profits (within the retained earnings reserve) were capitalised by way of a bonus issue of newly created capital reduction shares. These shares were subsequently cancelled and the £8.9m credited to the retained earnings reserve as distributable profits.

## 24. Capital commitments

Amounts contracted for at 30 September 2017 but not provided in the financial statements amounted to £113,000 (2016: £438,000) for the Group.

## 25. Pension scheme commitments

Contributions for the year ended 30 September 2017 amounted to £166,000 (2016: £148,000) and the outstanding contributions at the balance sheet date were £14,000 (2016: £13,000). The Group is a member of a group personal pension scheme which is a defined contribution scheme. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme. Some of the employees of the Group opt to pay part of their bonus into their pension.

# Notes to the consolidated financial statements *continued*

For the year ended 30 September 2017

## 26. Related party transactions

There are no related party transactions required to be disclosed in the financial statements.

The key management personnel are considered to be the Directors of the Group. The following table highlights the remuneration which is recorded in the income statement to the Directors:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Salaries/fees | 439 | 397 |
| Bonuses | 28 | 177 |
| Pension contributions | 24 | 58 |
| Share-based payments | – | 34 |
| | 491 | 666 |

Key management personnel have gains on exercise of share options. The detail is included in the Remuneration report.

## 27. Guarantees

Zytronic plc has given a guarantee to Barclays Bank plc in connection with the overdraft facility detailed in note 14.

# Five-year summaries

## Consolidated income statement

**For the five years ended 30 September 2013 to 2017**

| | 2017 £'000 | 2016 £'000 | 2015 £'000 | 2014 £'000 | 2013 £'000 |
|---|---|---|---|---|---|
| **Group revenue** | **22,892** | 21,087 | 21,267 | 18,886 | 17,282 |
| Cost of sales | **(13,481)** | (12,071) | (12,366) | (11,979) | (11,961) |
| Exceptional costs | **—** | — | — | — | (413) |
| **Gross profit** | **9,411** | 9,016 | 8,901 | 6,907 | 4,908 |
| Distribution costs | **(393)** | (378) | (278) | (156) | (210) |
| Administration expenses | **(3,591)** | (4,365) | (4,073) | (3,488) | (2,858) |
| **Group trading profit** | **5,427** | 4,273 | 4,550 | 3,263 | 1,840 |
| Other operating income | **—** | — | — | — | 94 |
| **Group operating profit** | **5,427** | 4,273 | 4,550 | 3,263 | 1,934 |
| Finance costs | **(24)** | (23) | (29) | (35) | (39) |
| Finance revenue | **10** | 20 | 23 | 33 | 44 |
| **Profit before tax** | **5,413** | 4,270 | 4,544 | 3,261 | 1,939 |
| Tax expense | **(825)** | (183) | (775) | (301) | (277) |
| **Profit for the year** | **4,588** | 4,087 | 3,769 | 2,960 | 1,662 |
| **Earnings per share** | | | | | |
| Basic | **29.0p** | 26.6p | 24.7p | 19.6p | 11.1p |
| Diluted | **28.8p** | 26.1p | 24.3p | 19.5p | 11.0p |
| Adjusted basic | **29.0p** | 26.6p | 24.7p | 19.6p | 13.9p |
| Adjusted diluted | **28.8p** | 26.1p | 24.3p | 19.5p | 13.8p |
| **Dividends per share** | **14.7p** | 12.3p | 10.3p | 9.1p | 8.7p |

All profits are from continuing operations.

Dividends are shown in the accounts in the year in which they are paid.

# Five-year summaries *continued*

## Consolidated balance sheet

**At 30 September 2013 to 2017**

| | 2017 £'000 | 2016 £'000 | 2015 £'000 | 2014 £'000 | 2013 £'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | **1,633** | 1,457 | 1,427 | 1,413 | 1,453 |
| Property, plant and equipment | **7,030** | 7,389 | 7,807 | 7,443 | 7,888 |
| | **8,663** | 8,846 | 9,234 | 8,856 | 9,341 |
| **Current assets** | | | | | |
| Inventories | **2,996** | 2,760 | 3,214 | 3,126 | 3,509 |
| Trade and other receivables | **3,506** | 3,745 | 3,055 | 3,068 | 2,430 |
| Derivative financial assets | **54** | — | — | 48 | — |
| Cash and short term deposits | **14,099** | 12,763 | 9,833 | 7,806 | 5,474 |
| | **20,655** | 19,268 | 16,102 | 14,048 | 11,413 |
| **Total assets** | **29,318** | 28,114 | 25,336 | 22,904 | 20,754 |
| **Equity and liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | **1,042** | 1,302 | 971 | 1,057 | 1,410 |
| Financial liabilities | **—** | 1,148 | 200 | 200 | 200 |
| Derivative financial liabilities | **—** | 959 | 89 | 224 | — |
| Provisions | **—** | 205 | — | — | — |
| Accruals | **862** | 834 | 1,201 | 1,264 | 688 |
| Tax liabilities | **3** | 122 | 255 | 30 | 192 |
| | **1,907** | 4,570 | 2,716 | 2,775 | 2,490 |
| **Non-current liabilities** | | | | | |
| Financial liabilities | **—** | — | 1,144 | 1,341 | 1,538 |
| Provisions | **—** | — | 136 | 139 | — |
| Government grants | **25** | 48 | 59 | — | — |
| Deferred tax liabilities (net) | **610** | 260 | 590 | 596 | 625 |
| | **635** | 308 | 1,929 | 2,076 | 2,163 |
| **Total liabilities** | **2,542** | 4,878 | 4,645 | 4,851 | 4,653 |
| **Net assets** | **26,776** | 23,236 | 20,691 | 18,053 | 16,101 |
| **Capital and reserves** | | | | | |
| Equity share capital | **160** | 154 | 153 | 152 | 150 |
| Share premium | **8,994** | 7,766 | 7,552 | 7,290 | 7,003 |
| Revenue reserve | **17,622** | 15,316 | 12,986 | 10,611 | 8,948 |
| **Total equity** | **26,776** | 23,236 | 20,691 | 18,053 | 16,101 |

# Parent Company balance sheet
At 30 September 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 3 | **4,400** | 4,513 |
| Investments | 4 | **10,106** | 10,106 |
| | | **14,506** | 14,619 |
| **Current assets** | | | |
| Debtors: | | | |
| – amounts falling due within one year | 5 | **9** | 8 |
| – amounts falling due after one year | 5 | **135** | 135 |
| Cash at bank and in hand | | **10,311** | 9,632 |
| | | **10,455** | 9,775 |
| **Creditors:** amounts falling due within one year | 6 | **675** | 1,971 |
| Net current assets | | **9,780** | 7,804 |
| **Total assets less current liabilities** | | **24,286** | 22,423 |
| **Provisions for liabilities and charges** | | | |
| Deferred tax | 8 | **177** | 184 |
| | | **24,109** | 22,239 |
| **Capital and reserves** | | | |
| Called up share capital | 9 | **160** | 154 |
| Share premium | | **8,994** | 7,766 |
| Profit and loss account | | **14,955** | 14,319 |
| **Shareholders' funds** | | **24,109** | 22,239 |

The Company's profit for the year was £636,000 (2016: £1,157,000).

These financial statements have been approved by the Board of Directors and signed on its behalf by:

**Mark Cambridge**
Chief Executive
11 December 2017

**Claire Smith**
Group Finance Director

Zytronic Group plc: Registered number 03881244

# Parent Company statement of changes in equity

## For the year ended 30 September 2017

| | Called up share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 October 2015 (restated) | 153 | 7,552 | 13,070 | 20,775 |
| Profit for the year | — | — | 3,078 | 3,078 |
| Exercise of share options | 1 | 214 | — | 215 |
| Share-based payments | — | — | 71 | 71 |
| Dividends | — | — | (1,900) | (1,900) |
| At 1 October 2016 | 154 | 7,766 | 14,319 | 22,239 |
| Profit for the year | — | — | 2,990 | 2,990 |
| Exercise of share options | 6 | 1,228 | — | 1,234 |
| Share-based payments | — | — | — | — |
| Dividends | — | — | (2,354) | (2,354) |
| **At 30 September 2017** | **160** | **8,994** | **14,955** | **24,109** |

# Notes to the Parent Company financial statements

For the year ended 30 September 2017

## 1. Accounting policies

The preparation of the Company's financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures at the date of the financial statements and the reported income and expense during the year. Although these judgements and assumptions are based on the Directors' best knowledge of the amounts, events or actions, actual results may differ from those estimates.

### (a) Judgements and key sources of estimation

In the process of applying the Company's accounting policies, the Directors have considered that there are no judgements or other key sources of estimation uncertainty at the statement of financial position date which have a significant effect on the amounts recognised in the financial statements.

### (b) Basis of preparation

The financial statements of Zytronic plc were approved for issue by the Board of Directors on 11 December 2017. The financial statements are prepared in accordance with FRS 101 Reduced Disclosure Framework.

A profit and loss account is not presented for the Company as permitted by Section 408 of the Companies Act 2006.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 September 2017.

In these financial statements, the Company has taken advantage of the following disclosure exemptions available under FRS 101:

- the requirements of paragraphs 45(b) and 46–52 of IFRS 2. The disclosures required by these paragraphs can be found in note 22 to the Group financial statements;
- the requirements of IFRS 7 Financial Instruments. The disclosures are available in the Group financial statements of Zytronic plc;
- the requirements in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 16, 111 and 134–136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirement of paragraph 17 of IAS 24 Related Party Transactions;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;
- the requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards paragraphs 6–21 to present an opening statement of financial position at transition; and
- the requirements of paragraphs 91–99 of IFRS 13 Fair Value Measurement.

# Notes to the Parent Company financial statements *continued*

For the year ended 30 September 2017

## 1. Accounting policies *continued*

### (c) Share-based payments

**Equity-settled transactions**

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service performance conditions (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions and the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market vesting condition or a non-vesting condition, be treated as vesting. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified, or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. A reduction is not recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

### (d) Tangible fixed assets

Property, plant and equipment is stated at cost less accumulated depreciation and impairment charges. Such costs include those directly attributable to making the asset capable of operating as intended and the cost of replacing significant parts of such plant and equipment when that cost is incurred, if the recognition criteria are met. Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

| | | |
|---|---|---|
| Freehold land | – | nil |
| Freehold property | – | 50 years |
| Long leasehold property | – | 30–50 years |
| Plant and machinery | – | varying rates between 5% and 25% per annum |

Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted, if appropriate. The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's fair value, or the cash-generating unit's fair value of which it forms part, less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

## 1. Accounting policies *continued*

### (e) Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

### (f) Deferred taxation

Deferred tax is recognised in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred taxation assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the related asset or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### (g) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the costs of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## 2. Auditors' remuneration

Auditors' remuneration for the year ended 30 September 2017 was £16,000 (2016: £16,000).

## 3. Tangible fixed assets

| | Land £'000 | Freehold property £'000 | Long leasehold property £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| **At 1 October 2016 and 30 September 2017** | **207** | **3,070** | **2,097** | **5,374** |
| **Depreciation** | | | | |
| At 1 October 2016 | — | 523 | 338 | 861 |
| Provided during the year | — | 61 | 52 | 113 |
| **At 30 September 2017** | **—** | **584** | **390** | **974** |
| **Net book value at 30 September 2017** | **207** | **2,486** | **1,707** | **4,400** |
| Net book value at 1 October 2016 | 207 | 2,547 | 1,759 | 4,513 |

# Notes to the Parent Company financial statements *continued*
For the year ended 30 September 2017

## 4. Investments
### Investments in subsidiary companies

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Shares in subsidiary companies** | | |
| At beginning of year | **10,106** | 10,035 |
| Share options granted to subsidiary employees | **—** | 71 |
| At end of year | **10,106** | 10,106 |

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

| Name of company | Incorporated in | Holding | Proportion of voting rights and shares held | Nature of business |
|---|---|---|---|---|
| Zytronic Displays Limited | UK | Ordinary shares | 100% | Manufacture of transparent composites, including touch sensors |
| Zytronic Inc. | USA | Ordinary shares | 100% | Technical sales support |
| Intasolve Limited | UK | Ordinary shares | 100% | Dormant |
| Zytronic Glass Products Limited | UK | Ordinary shares | 100% | Dormant |

Zytronic Inc. is a wholly owned subsidiary of Zytronic Displays Limited. The registered office address for all of the subsidiaries is Whiteley Road, Blaydon-on-Tyne NE21 5NJ.

## 5. Debtors

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Prepayments and accrued income | **9** | 8 |

Amounts falling due after more than one year are:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Amounts owed by Group undertakings | **135** | 135 |

## 6. Creditors: amounts falling due within one year

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Bank loan (note 7) | **—** | 1,148 |
| Trade creditors | **2** | 2 |
| Other creditors and accruals | **73** | 70 |
| Other amounts owed to subsidiary undertakings | **560** | 723 |
| Corporation tax | **40** | 28 |
| | **675** | 1,971 |

## 7. Bank loan

On 29 June 2012, Zytronic plc borrowed £2.0m under a ten-year mortgage (to be re-financed or repaid after five years) with Barclays Bank plc to re-mortgage the borrowings on its three properties. The funds were fully repaid on 29 June 2017.

## 8. Deferred tax liability

The deferred tax included in the balance sheet is as follows:

| | **2017 £'000** | 2016 £'000 |
|---|---|---|
| Accelerated capital allowances | **177** | 184 |
| At 1 October | **184** | 224 |
| Credit in the profit and loss account | **(7)** | (40) |
| At 30 September | **177** | 184 |

## 9. Share capital and share-based payments

### (a) Share capital

| | **2017 Number Thousands** | 2016 Number Thousands | **2017 £'000** | 2016 £'000 |
|---|---|---|---|---|
| **Allotted, called up and fully paid** | | | | |
| Ordinary shares of 1p each | **16,044** | 15,430 | **160** | 154 |

Note 22(c) in the Group financial statements sets out the details of the share option schemes of the Group and the numbers of shares in the Parent Company which are contingently exercisable under them.

### (b) Share premium

| | £'000 |
|---|---|
| At 1 October 2016 | 7,766 |
| Increase in cash on exercise of share options | 1,228 |
| **At 30 September 2017** | **8,994** |

### (c) Share-based payments

Note 22(c) in the Group financial statements identifies the basis of the Senior Executive Plans and the EMI Scheme. It also contains a table that illustrates the number and weighted average exercise prices of, and movements in, share options during the year.

### (d) Directors' share incentive scheme

Note 22(c) in the Group financial statements sets out the details of the Share Incentive Award Scheme for Mark Cambridge, Chief Executive, and Claire Smith, Group Finance Director, in shares of the Parent Company.

## 10. Guarantees

Zytronic plc has given guarantees regarding funding advanced to Zytronic Displays Limited by Barclays Bank plc in connection with an overdraft facility detailed in note (a) below.

### (a) Borrowing facilities

The Group has an unsecured overdraft facility of £1.0m arranged with its principal banker, Barclays Bank plc. This facility extends until November 2018. This facility is to provide funding for working capital.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of Zytronic plc (the "Company") will be held at the Company's registered office at Whiteley Road, Blaydon-on-Tyne, Tyne and Wear NE21 5NJ, at 9.30 am on 22 February 2018 to consider and, if thought fit, pass the following resolutions:

## Ordinary business

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions of the Company:

1. To receive the financial statements for the year ended 30 September 2017 and the reports of the Directors and auditors thereon.
2. To pay a final dividend of 15.2p per ordinary share of 1.0p for the year ended 30 September 2017 on Friday 9 March 2018 to members on the Register at the close of business on Friday 23 February 2018.
3. To re-elect Tudor Davies as a Director.
4. To re-appoint Ernst & Young LLP as auditors and to authorise the Directors to fix their remuneration.

## Special business

To consider and, if thought fit, pass the following resolution number 1 as an ordinary resolution of the Company and the following resolutions numbered 2, 3 and 4 as special resolutions of the Company:

1. That, pursuant to Section 551 of the Act, the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot Relevant Securities up to an aggregate nominal amount of £52,945.34, provided that (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the Company's Annual General Meeting held in 2019 (or, if earlier, at the close of business on the date which is 15 months after the date of this Annual General Meeting), but in each case prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require Relevant Securities to be allotted after the authority expires and the Directors may allot Relevant Securities under any such offer or agreement as if the authority had not expired.

   In this resolution, "Relevant Securities" means shares in the Company or rights to subscribe for or to convert any security into shares in the Company; a reference to the allotment of Relevant Securities includes the grant of such a right; and a reference to the nominal amount of a Relevant Security which is a right to subscribe for or to convert any security into shares in the Company is to the nominal amount of the shares which may be allotted pursuant to that right.

2. That if special business resolution 1 above is passed, the Directors be authorised to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if Section 561 of the Act did not apply to any such allotment or sale, such authority to be limited to:

   (a) the allotment of equity securities in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):

      (i) to holders of ordinary shares in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and

      (ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

      but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

   (b) the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 2(a) above) up to a nominal amount of £8,022.02,

   such authority to expire at the conclusion of the Company's Annual General Meeting held in 2019 (or, if earlier, at the close of business on the date which is 15 months after the date of this Annual General Meeting) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

## Special business *continued*

3. That if special business resolution 1 is passed, the Directors be authorised in addition to any authority granted under special business resolution 2 to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if Section 561 of the Act did not apply to any such allotment or sale, such authority to be:

   (a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £8,022.02; and

   (b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

   such authority to expire at the conclusion of the Company's Annual General Meeting held in 2019 (or, if earlier, at the close of business on the date which is 15 months after the date of this Annual General Meeting) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

4. That the Company be and is hereby generally and unconditionally authorised pursuant to Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares provided that:

   (a) the maximum number of ordinary shares hereby authorised to be purchased shall be 1,604,404;

   (b) the minimum price which may be paid for an ordinary share shall be 1p;

   (c) the maximum price which may be paid for an ordinary share shall be not more than 5% above the average of the middle market quotations for ordinary shares as derived from the London Stock Exchange daily official list for securities admitted to AIM of the London Stock Exchange for the five business days immediately preceding the date of the purchase of the ordinary share; and

   (d) unless previously renewed, revoked or varied, the authority hereby conferred shall expire at the conclusion of the Company's Annual General Meeting held in 2019 (or, if earlier, at the close of business on the date which is 15 months after the date of this Annual General Meeting) save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares which will or may be executed wholly or partly after the expiry of such authority and may purchase ordinary shares pursuant to such contract as if such authority has not expired, and that all ordinary shares so purchased in pursuance of this authority shall be held as treasury shares (as defined by Section 724 of the Act) for future resale for cash, transfer for the purposes of an employees' share scheme or for cancellation.

By order of the Board

**Claire Smith**
Company Secretary

**Zytronic plc**
Whiteley Road
Blaydon-on-Tyne
Tyne and Wear
NE21 5NJ

11 December 2017

# Notice of Annual General Meeting *continued*

## Notes

1. Every member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend, speak and vote (whether on a show of hands or on a poll) at the meeting on their behalf. A proxy need not be a member of the Company. A prepaid Form of Proxy accompanies this document.
2. Completed Forms of Proxy must be returned to the Company's registrars at the address shown on the Form of Proxy not later than 9.30 am on Tuesday 20 February 2018 or two working days prior to any adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, one working day before the time appointed for the taking of the poll. The sending of a completed Form of Proxy to the Company's registrars will not preclude members from attending and voting at the meeting, or any adjournment thereof, in person, should they so wish.
3. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), specifies that only those holders of ordinary shares of 1p each of the Company registered in the Register of Members of the Company:

   (a) as at close of business or 6.00 pm on 20 February 2018; or

   (b) if this meeting is adjourned, at close of business two working days prior to the adjourned meeting,

   shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares of 1.0p each in the capital of the Company registered in their name at that time. Changes to entries on the Register of Members after 4.00 pm on Tuesday 20 February 2018 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
4. Copies of contracts of service between the Directors and the Company or any of its subsidiary undertakings will be available for inspection during normal business hours by members at the registered office of the Company on each business day from the date of this notice until the date of the Annual General Meeting, and at the place of the Annual General Meeting for at least 15 minutes prior to, and during, that meeting.

# Corporate information

## Websites
www.zytronicplc.com
www.zytronic.co.uk
www.zytronic-inc.com
www.zytronic.cn
www.zytronic.jp

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Claire Smith
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## Registered office
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Tel: 0191 414 5511
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## Registration number
03881244

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EC2N 2AX

## Registrars
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# Corporate information *continued*

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