ZYTRONIC

ZYTRONIC PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

Pioneering the **touchscreen revolution** for 21 years

Zytronic's vision is to make its unique touch sensor technology pre-eminent in markets that require medium to large sized touch interactive systems.

OUR TOUCHSCREENS ARE EVERYWHERE

GAMING

Our highly durable and customisable touch sensors are used in a variety of gaming applications, from betting terminals to slot machines. With reliable performance and engaging designs, our products offer an unbeatable player experience.

OTHER

Our award-winning multi-touch MPCT™ touch sensors are available in any shape or size up to 86", 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.

VENDING

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.

See our business model **P12–13**

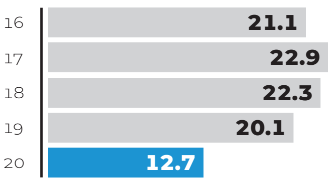
HIGHLIGHTS

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

FINANCIAL OVERVIEW

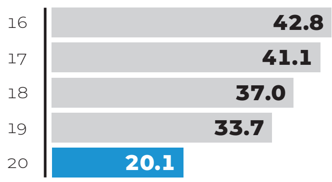
Group revenue (£m)

£12.7m



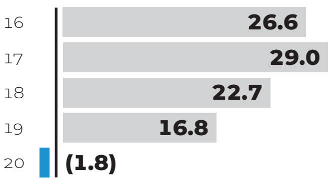
Gross profit margin (%)

20.1%



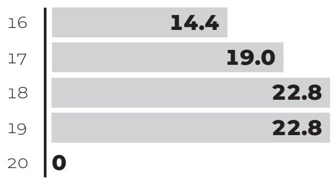
(Loss)/earnings per share (p)

(1.8p)



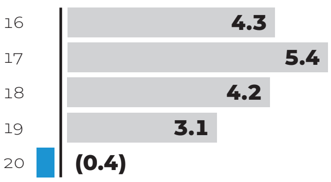
Dividends (p)

0p



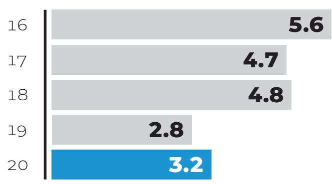
(Loss)/profit before tax (£m)

£(0.4m)



Cash generated from operating activities (£m)

£3.2m



CONTENTS

Our technology **empowers people** all over the world

From finding the way to a departure gate to picking the right books for school, touchscreens help people every day and everywhere.

What we do

PERFORMANCE

- Unsurpassed reliability and durability
- Capable of detecting 80+ touches with millisecond response
- All-weather functionality and unaffected by surface dirt
- Vandal resistant and gloved hand operation

DESIGN

- Unique touchscreen designs with no/low tooling fees
- Any quantity you need, 1 or 1,000s
- 100% manufactured in our state-of-the-art facilities
- Toughened, curved, printed and machined options

SERVICE

- Global pre/post-sales support
- Over 50 years of glass processing experience
- Many years' expertise in touch controller and firmware development
- Rapid prototyping capability

Our products

ZyFilm® **Zy**Brid® **Zy**Touch® **Zy**PoS®

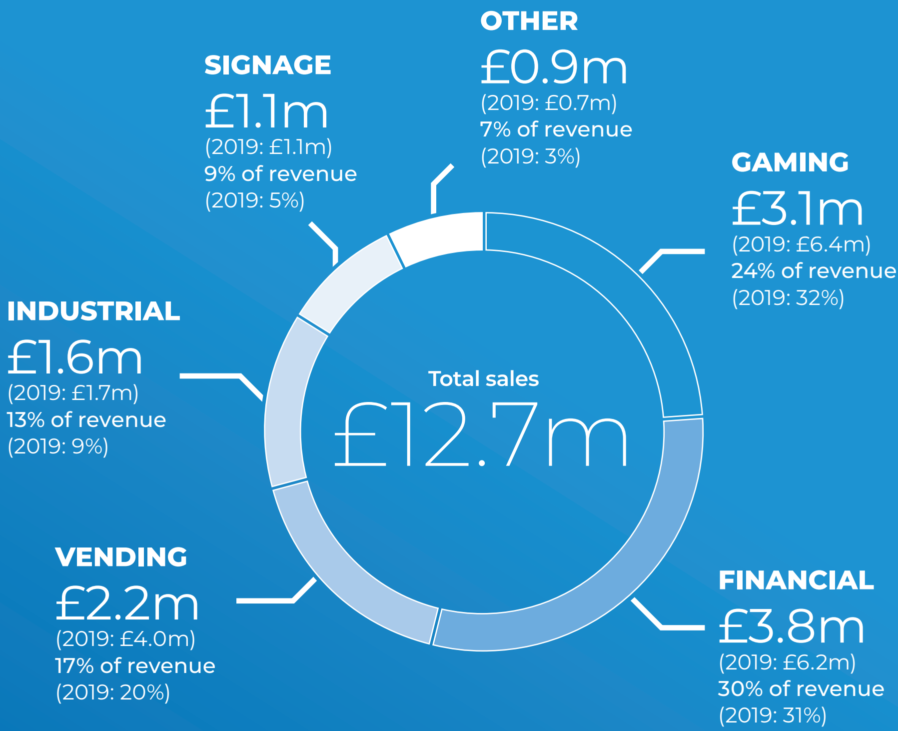
Touch sensors

At Zytronic we are leaders in projected capacitive touch technology, specialising in highly durable and reliable products, where our proprietary PCT™ touch sensing products provide both precision and resilience at the fingertips of the end-user.

Touch controllers

We have developed an extensive range of touch controllers to work with our portfolio of highly durable, projected capacitive touch sensing products. Supporting sizes from 5–86" our controllers offer single or full multi-touch functionality, and benefits including smart, "plug and play" operating system support (making it quick and easy to set up our touch sensors), and outstanding "palm rejection" capability (to help reduce incidents of "false" touches, when users lean on a touch sensor).

Our markets by revenue



Some of our customers

Coca-Cola | NCR | DIEBOLD NIXDORF | ARISTOCRAT | B/S/H/ | Smithsonian

Why invest in Zytronic?

1

Strong net assets and cash provide sound basis for growth

£14.0m
cash in the Group

Financial review **P26–27**

2

Diversified technologies, products, markets and applications

6
key markets

Our markets **P11**

3

Investment in our already proven and trusted technology

£0.5m
investment in R&D

Our technology **P4–5**

4

Strength of opportunities pipeline

557
opportunities in pipeline

Chairman's statement **P6**

5

Excellence in manufacturing

18
skilled employees degree level or higher

Our business model **P12–13**

Our technology is proven, trusted and unique

Single touch

PCT™ self-capacitive touch sensing technology provides the durability needed for the toughest industrial and self-service applications.

Multi-touch

MPCT™ mutual capacitive technology offers most of the durability advantages of PCT™ projected capacitive technology, but with added multi-touch capability, and provides the same level of sensitivity experienced on smartphones and tablets.

Customisation options

Our vast experience in glass processing paired with our comprehensive in-house glass machining equipment allows us to manufacture touchscreen glass in near limitless forms, print borders, logos and other features onto the rear face of the glass, bend glass to produce curved touch sensors and thermally toughen glass to suit international safety standards.

Reliability

With its unrivalled durability, PCT™ and MPCT™ provide 24/7 functionality in the most difficult of environments, minimising system downtime, reducing maintenance and maximising return on system investment. It is proven, dependable, vandal resistant and practically immune to most types of physical, mechanical and chemical abuse.

Sensitivity

Zytronic touch technology will detect fingers, conductive stylus and even gloved hands, through glass thicknesses of 10mm or more. Yet, it ignores raindrops, leaves, dirt, ice, etc., making the touch sensors ideal for self-service and public use, in any environment.

High-impact resistance

The MPCT™ multi-touch sensors are typically constructed from a laminated toughened glass substrate of up to 10mm thick, meaning they are durable enough to withstand most impacts and extreme environments. Our PCT™ sensors can be made from even thicker glass, and are unaffected by rain.

Internationally award-winning and patented technologies

We develop and manufacture highly durable and adaptable touchscreens in a near limitless range of shapes and sizes, ideally suited for the most demanding self-service, industrial and public-facing interactive systems. We have been developing and manufacturing touch sensors for over 15 years (and processing glass components for decades before that). Our range of patented and award-winning projected capacitive technology (PCT™ and MPCT™) touchscreens offer the ultimate solution for challenging environments in signage, gaming, vending, financial and industrial applications.

Our business model **P12–13**

STRATEGIC REPORT

Interactive signage

Our large format PCT™ touch sensors are increasingly used in digital signage, and are reliable in all conditions.

Self-service

Our durable, customisable touchscreens enable self-service equipment to be deployed in any location.

Damage resistance

Our vandal-resistant touch sensors have been trusted by global ATM manufacturers for over a decade.

Highly durable

Our sensors provide unrivalled performance in some of the harshest environments.

Our unique approach

Any shape or size

Our award-winning multi-touch MPCT™ touch sensors are available in any size or shape up to 86".

A variety of materials

Our products can be specified in a wide range of glass thicknesses and strengthening treatments.

Expertise and experience

Our experienced engineers create bespoke products to the exact requirements of our clients and their customers.

Flexible manufacturing

Our highly flexible manufacturing processes allow custom designs, irrespective of the number required.

Cash generation from operating activities was a positive **£3.2m**

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

Results

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

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

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

Current trading

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

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

Cash

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

Dividend

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

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

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

Outlook

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

Tudor Davies
Chairman
7 December 2020

Q&A

How has Zytronic responded to the ongoing COVID-19 outbreak?

As the pandemic began to unfold across the world, Zytronic took the immediate step to protect its employees by imposing travel bans and ensuring working from home was enabled for those in roles where that was possible. For all other employees, the site was made COVID-safe, which was confirmed by an HSE assessor. Communication with customers and suppliers has been maintained and orders continue to be fulfilled as per customer requirements. The Board regularly discusses COVID-19 matters and it continues to be given high priority within the business.

What key measures have you put in place to protect the business?

The safety of the employees is paramount and as explained above the Group has enabled a COVID-safe working environment. As the pandemic took hold it became apparent that the Group's customers would be impacted, thereby having an impact on sales and future opportunities. In order to control costs and align headcount with sales, the Group utilised the Furlough scheme, to try to protect the employment of all of its personnel. Unfortunately, as the year progressed and customers continued to be impacted, and with no knowledge of what the intention was with the extension of Furlough, the Group did make some restructuring changes. The Group has a strong balance sheet which gives it confidence for when normality resumes.

Effects of COVID-19 on the order input profile became **ever more pronounced**

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

Coronavirus ("COVID-19")

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

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

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

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

Sales

Although the beginning of the fiscal year got off to a comparatively slow start, principally from a low level of order intake in the latter part of 2019, as demand from new Gaming projects was slower than anticipated, this recovered strongly thereafter with the order intake of Q2 being 15% higher than the same period in 2019 and resulted in an order book of £2.7m at 31 March 2020 (31 March 2019: £2.0m), providing in normal circumstances a solid base for the remainder of the year.

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

Sales continued

However, as a consequence of the almost immediate and dramatic impacts of COVID-19 as detailed earlier, and the levels of order intake during Q3 of £1.9m and Q4 of £2.0m, sales for the year were significantly suppressed at £12.7m, compared with £20.1m in 2019, with the historical norm of a stronger performing H2 not being observed in 2020 with H1 and H2 contributing £7.4m and £5.3m respectively (2019 H1: £9.5m; H2: £10.6m), with H2 sales being 50% lower than those of H2 2019.

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

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

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

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

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

Strategic sales and marketing initiatives

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

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

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

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

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

Opportunities analysis

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

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

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

Strategic research and development

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

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

Case study

Location:
Italy

Sector:
Vending

Customer:
PharmaShop24

PharmaShop24's interactive vending machines use Zytronic's touch technology to double capacity

Today, there are about 15 million vending machines installed worldwide, enabling retailers to sell practically anything 24 hours a day, and all year round. When engineers from PharmaShop24 were looking at how they could fit more product lines into their self-service vending machines, they decided to go digital by switching to an interactive user interface. After lengthy research, the touchscreens they finally selected were based on Zytronic's projected capacitive (PCT™ and MPCT™) touch technology.

Traditionally, outdoor, unattended vending machines use thick, toughened glass in front of the products on display to secure against malicious attack and theft. PharmaShop24's engineers were initially concerned whether a touchscreen could offer a similar level of protection and still function in all weather conditions. In response, Camax recommended using a customised Zytronic ZYBRID® 55" touch sensor made using 6mm thermally toughened anti-glare glass, delivering a cost-effective combination of extremely high levels of impact resistance and year-round, faultless outdoor performance. By helping to hide and replace the previously bulky internal electromechanical systems, the new VIRTUAL module can hold many more products without increasing its size.

Read more at
zytronic.co.uk/case-studies/detail/pharmashop24s-interactive-vending-machines-use-zytronics-touch-technology-double-capacity/

Strategic research and development continued

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

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

Operations

Over the course of the second half of 2020, the productive labour headcount has been dramatically affected by the impacts of COVID-19. At the start of the year, the direct productive labour headcount stood at 98 persons, which at the time of reporting on the 2019 preliminary results in December 2019 had been temporarily reduced by 15, all of which had returned by February 2020, at which point we were actively looking to recruit as the order book began to significantly recover. However, with the impact of COVID-19 shortly thereafter, the productive headcount was reduced, initially by the utilisation of the CJRS and subsequently by reason of redundancy. Over the H2 period the average direct productive headcount was 46 persons.

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

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

BREXIT

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

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

Mark Cambridge
Chief Executive Officer
7 December 2020

Q&A

What actions have you taken in response to the COVID-19 crisis?

The Group continued to operate during the UK lockdown, but in order to protect its employees the Board imposed early travel bans, enabled working from home practices where possible and ensured a COVID-safe environment for all other on-site personnel. The Directors held weekly meetings to discuss the changing COVID-19 environment and the steps it needed to take to protect not only the employees but the business for the future. Management continues to assess this situation as developments occur.

How have you maintained stakeholder engagement?

Communication with all stakeholders has been critical during this pandemic. The Board has ensured that it has regularly communicated with all of its employees which is of particular importance to anyone on Furlough leave to ensure they are kept up to date with business developments. Communication has also been maintained with customers and suppliers to understand demand and supply needs and enable the business to react accordingly. Shareholders have been communicated with over the course of the year through discussions with the Board.

What are the key strengths of the business that will ensure viability?

The Board has a very strong balance sheet, owning all of its properties, with healthy cash balances and has remained cash generative over the year. The Group has restructured its workforce to align with present demand which will enable it to sustain any further impact of this pandemic and give a good basis for recovery when normality resumes.

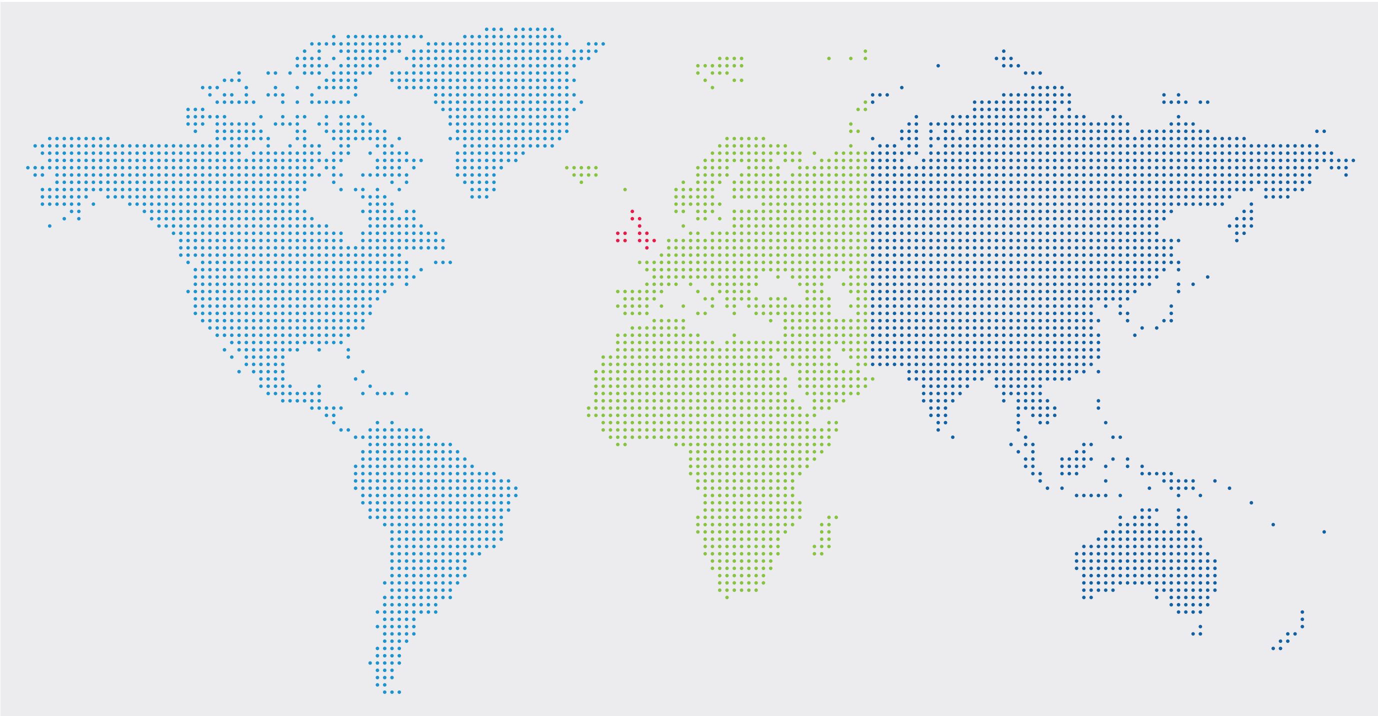
Where do you see future growth opportunities?

The Group is always looking for future growth opportunities and internal development is critical to this.

The development of a contactless touch solution over the year, being ZYBRID® hover, will open up future opportunities to customers who wish to differentiate their products and offer contactless interactivity. Further developments have occurred over the year as described above in the Chief Executive Officer's review.

Operating globally

We sell all over the world, with 96% of our products sold in the year being exports. To facilitate this, we have a strong network of VARs, local sales and technical personnel in key territories and UK-based key account managers to support our EMEA region.



Americas

Revenue in this region has been impacted by the COVID-19 pandemic.

Total revenue from invoiced sales to the Americas was

£2.8m

(2019: £3.7m)

which represented 23% of total export revenue (2019: 21%).

UK

Revenue in this region has been impacted by the COVID-19 pandemic.

Total revenue from invoiced sales to UK customers was

£0.6m

(2019: £2.1m)

2020 revenues were impacted by reduced sales into the Gaming market.

EMEA

This continues to be our biggest market with revenues of £5.1m. New opportunities in the Gaming sector arose during the year in this market area.

Total revenue from invoiced sales to the EMEA region was

£5.1m

(2019: £7.8m)

which represented 42% of total export revenue (2019: 43%).

APAC

Revenue in this area was impacted as a result of the COVID-19 pandemic.

Total revenue from invoiced sales to the APAC region was

£4.2m

(2019: £6.5m)

which represented 35% of total export revenue (2019: 36%).

Competitive advantages stem from our technology

We are global leaders in providing touch solutions that are incredibly durable and exceptionally responsive. Our products are proven in the toughest environments and are trusted by major corporations around the globe.

OUR KEY RESOURCES AND RELATIONSHIPS

Proprietary PCT™ technology

Patented MPCT™ technology

4 new patents applied for in 2019–2020

8 patents granted in total

A diverse team of experts which continuously develops processes, materials and functionality in:

- Mechanical
- Electronic
- Software
- Firmware

In-house facilities:

- ISO-approved quality and environmental systems
- Multi-lingual/multi-national sales, customer service and technical support

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.

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, 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 80,000 sq ft, which are all located on a single site in the UK.

Case study

Location: Taiwan

Sector: Surfaces

Customer: Techart Group

Zytronic's multi-touch technology helps museum bring smart agriculture to life

In 2019, Taiwan's National Science and Technology Museum began building its "smart agriculture" display, which extends "The Story of Taiwan Agriculture" exhibition. The hall showcases the development of Taiwan's agriculture, and the country's many achievements in this vital industry.

For this updated exhibition, the museum curator wanted to display Taiwan's agritech advancements using modern, interactive technologies to encourage visitor engagement. To highlight how the island's pig farming industry has embraced technology, increasing productivity and improving animal welfare, the museum invited Techart Group to create an interactive touch table.

For this project, Zytronic proposed a multi-touch sensor with integrated object recognition capability built into the associated touch controller's firmware. When used in touch tables, object recognition technology provides a novel way for the user to engage with the touchscreen, using a suitably designed physical "artefact" with each object linked to different content displayed on the screen.

The combination of Zytronic's proprietary touch controllers and large format touch sensors with integrated object recognition capability, together with Techart Group's bespoke interactive software, proved to be the ideal solution to deliver a fully immersive, multi-user experience. As with almost all its products, Zytronic was happy to produce and supply just a small quantity of the uniquely designed touch sensors for the customer.

Read more at zytronic.co.uk/case-studies/detail/zytronics-multi-touch-technology-helps-museum-bring-smart-agriculture-to-life/

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.

Employees

With well over half a century of glass processing and laminating experience, and over 18 years of experience developing our touch controllers, our employees are experts in their fields.

Shareholders

We continue to deliver value for our shareholders and have returned considerable dividends over the years.

Partners

We have a developing network of specialists, international representatives and resellers, all of which are dedicated to meeting the needs of our customers.

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.

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 35 sales channel partnerships to sell our products around the world.

Engaging with our stakeholders

Our stakeholders help to shape our strategy and are critical to our success. We engage to ensure we manage expectations and promote trust and transparency across all our activities with a view to promoting mutually beneficial relationships.

Section 172(1) statement on the discharge of Directors' duties

In compliance with the Companies Act 2006, the Board is required to act in accordance with a set of general duties. During the year ended 30 September 2020, the Board considers that it has individually and collectively acted in a way it considers, in good faith, would be most likely to promote the success of the Group for the benefit of its shareholders as a whole having regard to the six matters listed in Section 172(1) (a) to (f) of the Companies Act 2006. In order to achieve long term success for the benefit of all shareholders, the Board recognises the importance of building and maintaining relationships with key stakeholders as well as considering the likely consequences of its decisions in the long term.

Duty to promote the success of the Group

Zytronic's objective is to progress shareholder value through the further development of its touch technology product offerings, targeting growth application areas and expanding its global sales channel footprint. This financial year has been particularly challenging in the execution of this due to the impact of the COVID-19 pandemic. The Group has had to make different decisions over the year in order to preserve shareholder value, particularly around its employees, to allow it to generate value and opportunities in the future. The Chief Executive Officer's review talks in more detail around this.

Stakeholder engagement

The Board recognises its responsibility to take into consideration the needs and concerns of Zytronic's key stakeholders as part of its decision-making process. The following tables demonstrate how the Group engages with its stakeholders and the target outcomes:

CUSTOMERS

How we engage

- The Board receives feedback from its customer-facing personnel. The key account managers each have territorial responsibility to engage with current and potential customers and there are quarterly team meetings to discuss opportunities across the Group. The Sales and Marketing Director regularly briefs the trading Board as to how we are performing with each of our customers. The Chief Executive Officer briefs the plc Board on these developments.
- Customer feedback is regularly sought and collected by the business through a wide range of channels. This information is processed and analysed and often utilised in future product development to the benefit of all parties. The Sales and Marketing Director and R&D Director both play crucial roles in the development of new business relationships and project success.
- We regularly participate in a wide range of trade shows and expos. They play an important role in our business development planning and showcasing our offerings. COVID-19 prevented attendance at most major events during the year.
- We utilise our trading Company website and social media platforms to showcase our products to our customers.

Key outcomes

- Increased level of engagement with customers at strategic level.
- A greater understanding of both customer and market trend requirements better informs the development and refinement of our own strategy.
- A Board-level engagement with our customers will help us convey our commitment to understand and meet their business needs.
- Listening to "the voice of the customer" enables us to be more effective in pre-empting and meeting their evolving needs and wants.
- Trade show attendance not only allows us to present a shop window for attracting the widest range, and deepest concentration, of potential clients over a short time period, but also enables us to observe in one place the broader market sentiment and emerging trends and in particular allows us to benchmark ourselves directly against competitors. The Board receives a summary report on all such events that we participate in.

EMPLOYEES

How we engage

- The Executive Directors communicate with employees following the trading Board meetings and also via internal communication memos and notices. Directors consult and seek opinion from managers on a variety of different matters.
- The Group relies upon highly specialised skill sets in some areas of its business. The Group is willing to invest in its employees through training to ensure that those skills are maintained in the business.
- The Executive Directors are required to be actively visible in the business and offer an open-door policy to employees who would like to ask a question or offer a view.
- The trading Board held regular meetings, often on a weekly basis during H2 2020, to respond to the rapidly changing COVID-19 pandemic to ensure the safety of our employees as a principal objective during the crisis.

Key outcomes

- Wider and deeper communication leads to greater transparency throughout the business and facilitates a more engaged, motivated and effective team.
- The Group aims to provide a rewarding long term personal development opportunity environment for its employees.
- A better informed and consulted workforce is more likely to have increased motivation and be more effective.
- We maintained operations during the COVID-19 lockdown with minimal COVID-19 related isolation incidents and no deterioration in overall sickness and absenteeism. We continued to fulfil customer requirements during this time.

INVESTORS

How we engage

- The Chief Executive Officer and Group Finance Director hold analyst and investor meetings throughout the year both on request and specifically following the release of the annual and half-year results. Feedback from these meetings is shared with the Board.
- The Annual General Meeting is our primary method of engagement with private investors along with the annual report. We encourage investors to attend and ask questions they may have. At the end of the meeting, the Board engages in an open and informal forum with attendees.
- The Group's annual report and accounts is available to shareholders in both hard copy form and online. All announcements and presentations are available on the Company's website.
- The Group's broker, N+1 Singer, provides briefings to the Board on shareholder opinions and independent feedback from investor meetings. Their views are sought on all market related matters or announcements.

Key outcomes

- A wide range of communication channels are used to engage with investors during the year. Feedback from investors has informed the Board's discussions and can influence decisions on the Group's strategy. All material information that is worthy of investor announcement is made available simultaneously to both shareholders and potential shareholders.
- We value the opportunity to meet with our shareholders and engage in an exchange of views and ideas and, post AGM, we review the feedback we have received.
- We respect that not everyone is "online" and continue to provide shareholders with a choice.
- Regular and frequent interaction between the Group and our broker ensures we receive regular guidance and remain aligned on our engagement with the investment community.

SUPPLIERS

How we engage

- Meetings are sometimes held with key suppliers at both their facilities and ours. This ensures a more intimate knowledge of each other's capabilities and objectives and leads to a closer working relationship.
- Our Group policies are flowed down to our supply chain to ensure compliance with social responsibility and good governance policies.
- The R&D Director has a keen interest in the supply chain and the introduction of new materials to ensure they meet the requirements of our end products.
- The Group aims to play fair with its suppliers and pay in line with the contractual payment terms.

Key outcomes

- The Group's supplier base is a key part of the Group's ecosystem and effective relationships with our suppliers are essential to the delivery of Group performance. We engage with our suppliers through our engineering and operations teams and we work closely with key suppliers to ensure we take advantage of innovative technical and commercial solutions in the supply chain in order to secure a competitive advantage.
- We minimise our exposure to supplier related risks by requiring them to adhere to our Group policies and for them to confirm they are not in conflict with these policies before or during engagement.
- By playing fair with our suppliers we gain their respect, support and commitment to meeting our own business objectives.

Targeting growth application areas to create value

The Group's strategy is to progress shareholder value through the further development of its touch technology product offerings, targeting growth application areas and expanding its global sales channel footprint.

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 2019/2020

- We continued the development of mixed metal oxide glass sensors and have targeted further customers for sampling.
- We continued to develop our unique micro-fine filament system to provide micro-tracks to allow for power and data transfer from mechanical devices such as buttons and LED lighting features. These appear "floating" and "unconnected" within the touch active and display viewable area. We have applied for a patent on this work.
- We engaged with a product designer to develop a mixed metal oxide glass laminate solution for use as a transparent surface power supply for bespoke lighting and table design opportunities.

Our priorities for 2020/2021

- We are completing development of a unique interactive video wall solution with narrow border configuration and the ability to drag and drop multiple objects around the multiple sensors whilst maintaining continuous contact.
- We plan to launch the above noted power delivery product in 2021 whilst continuing development.

Link to KPIs

Group revenue, gross profit margin, administration expenses, cash generated from operating activities and order intake over the year

Link to risks

Advances in competing technologies, cyber security risk and COVID-19

Case study

Location: USA

Sector: Surfaces

Customer: Ideum

Unique interactive multi-touch table powered by Zytronic welcomes visitors to corporate headquarters

Built to welcome staff and partners to an advanced corporate training centre, this impressive table not only needed to have a stunning design with meticulous attention to detail, but also be fully functional with built-in interactive displays. This spectacular 6.4m long table incorporates three 86" LG displays and is equipped with Zytronic multi-touch technology.

To bring this original concept to life, the industrial design firm turned to interactive technology leader Ideum. The company created the initial structural drawings and worked with an architect and the end customer to ensure that the table and its materials matched the interior design of the training centre. The table was fabricated in sections, at Ideum's studio in Albuquerque, New Mexico, with the interior structure cut out on the studio's CNC milling machine, glued and then fitted with fibre glass to provide additional strength for the heavy Italian marble slabs that would cover its sides.

Read more at zytronic.co.uk/case-studies/detail/unique-interactive-multi-touch-table-powered-zytronic-welcomes-visitors-corporate-headquarters/

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 the Philippines, and in the Middle East.

What we did in 2019/2020

- COVID-19 hugely impacted the business over the year but we continued to grow our opportunities log with 557 open opportunities at 30 September 2020 compared to 494 at 30 September 2019.
- The implementation of cost control measures helped grow cash to £14.0m at the year end (2019: £13.1m).

Our priorities for 2020/2021

- We will continue to identify new channel partner representation in countries where we have less coverage.
- We will continue to mitigate against the COVID-19 global pandemic through our strong working relationship with our customers.

Link to KPIs

Group revenue, gross profit margin, administration expenses, cash generated from operating activities and order intake over the year

Link to risks

Downward price pressures from competing technologies, reliance on key customers, increasing costs of raw material supplies, cyber security risk, managing increases in the overhead base, risks associated with currency movements, risks associated with timing of customer projects and price reductions, Brexit and COVID-19

Case study

Location: Japan

Sector: Leisure

HYOJITO

Customer: Hyojito

Twist on teaching traditional etiquette at Shinto shrines in Japan

Digital signage system supplier HYOJITO is a leader in such public information and wayfinding solutions for the Japanese mass transit sector, and also deploys similar public information display systems for city streets and other municipal spaces. Its wayfinding system ("NAVITA") is installed in more than 85 government buildings such as city and municipal offices, along with numerous placements in railway and bus stations, together with other locations. An unusual application of its system is the installation of large interactive touchscreens in Shinto shrines. Many visitors to these sacred places are not fully aware of the cultural expectations and etiquette required while visiting the shrines. When developing a signage system that provides advice and guidance for tourists wishing to spend time in the shrines, HYOJITO chose Zytronic's projected capacitive technology (PCT™ and MPCT™) touch sensors for the user interface of its "Jinja Navita" public information display.

When correctly applied to the rear surface of a piece of glass, Zytronic's ZYFILM® touch technology will operate reliably even in the harshest environments and support displays of any size up to 85" with single or multi-touch functionality. For the Jinja Navita, 46" and 55" film-based, adhesive touch sensors were used.

The Jinja Navita system is now installed outside in the grounds of over 20 Shinto shrines providing multilingual public information, educating overseas visitors how to behave appropriately during their visit. Zytronic's ability to supply high quality, specially sized touch sensors in very low quantities was critical to their use in this application and demonstrates the true flexibility of its manufacturing process. Its office in Tokyo, Japan, provided close support to HYOJITO throughout the project, helping it to apply modern touchscreen technology in the most traditional of Japanese settings.

Read more at
zytronic.co.uk/case-studies/detail/shinto_shrine/

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 2019/2020

- We continue to develop our production employees by enabling training courses for a number of people, upskilling them to a level three diploma in management.
- We reviewed and updated our websites to strengthen our SEO rankings and help attract further new customers.

Our priorities for 2019/2020

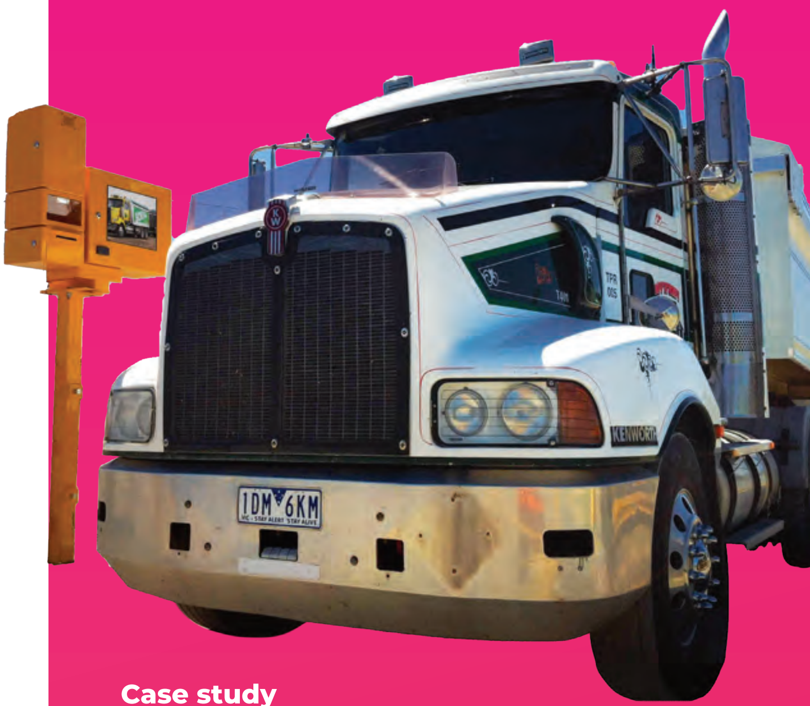
- We will continue to invest in our apprenticeship programme to develop engineers of the future.
- Enhanced marketing will occur to drive customers to our business.

Link to KPIs

Group revenue, gross profit margin, administration expenses, cash generated from operating activities, order intake over the year and recorded accidents

Link to risks

Reliance on key customers, cyber security risk, risks associated with timing of customer projects and price reductions, Brexit and COVID-19



Case study

TouchMate®

Location: Australia

Sector: Industrial

Customer: TouchMate

Rock solid reliability – how Zytronic's rugged touchscreens are helping improve quarry efficiency

When looking to speed up the flow of trucks checking into its busy mines and quarries, Australia's largest construction material supplier, Boral Limited, decided to apply "smart" technologies. As a result, haulage drivers now use specially designed kiosks, with Zytronic's interactive touch sensors, at Boral's incoming and outgoing weighbridges to avoid bottlenecks.

The initial brief was to build a bespoke quarry truck "check-in" kiosk that was rugged enough to operate reliably in the harshest of environments, as the units would be deployed in remote quarries across Australia, which has several different climate zones.

Designed to be used in these extremely dusty and harsh environments, the check-in kiosks are fully sealed and IP66 rated. The internal temperatures are maintained by a ventilation system that integrates positive pressure filtration with a compact heat exchange unit. The electronic peripherals were sourced from specialist distributor JEA Technologies, of Melbourne.

Working closely with JEA Technologies, Zytronic designed a bespoke printed glass 19" ZYBRID® touch sensor that incorporates UV and IR filters to aid thermal management of the kiosk. A 6mm thick, thermally toughened glass was selected, which ensures optimum impact and scratch resistance and protects the underlying display. In addition, the specified glass incorporated an anti-glare etched finish to reduce reflections in the bright Australian sunshine.

Read more at zytronic.co.uk/case-studies/detail/rock-solid-reliability-zytronics-rugged-touchscreens-helping-improve-quarry-efficiency/

Measuring our performance

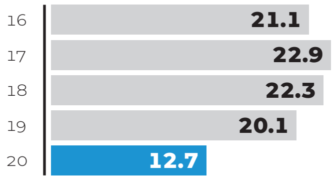
Commentary on the actual performance of the Group against these KPIs is set out in the Chairman's statement and the Chief Executive Officer's and Financial reviews.

Key

- Innovate
- Grow
- Invest

Group revenue (£m)

-37%



Link to strategy

Definition

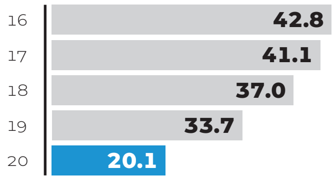
The total amount the Group earns from the sale of its products.

Our performance

The COVID-19 global pandemic has adversely impacted revenue over the reporting period.

Gross profit margin (%)

-40.3%



Link to strategy

Definition

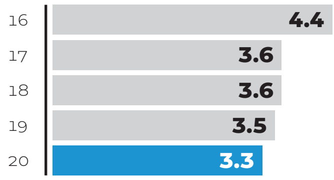
The gross amount of margin earned from the sale of the Group's products.

Our performance

Costs of restructuring have impacted margin by 9% in the year.

Administration expenses (£m)

-4%



Link to strategy

Definition

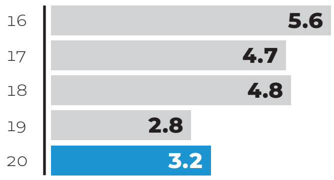
The indirect costs incurred in running the Group.

Our performance

Year-on-year cost savings have arisen due to fewer travel expenses as a result of COVID-19.

Cash generated (£m)

+15%



Link to strategy

Definition

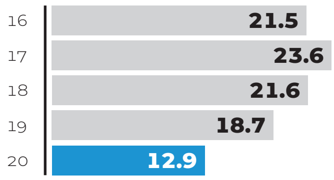
Cashflow from operating activities adjusted for non-cash items.

Our performance

A decrease in working capital and cost control measures has helped cash generation over the year.

Order intake (£m)

-31%



Link to strategy

Definition

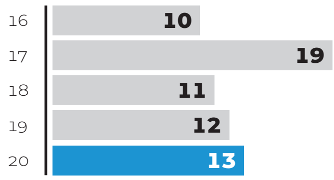
Orders received during the financial year.

Our performance

Year-on-year decline driven wholly by the COVID-19 pandemic.

Recorded accidents

+8%



Link to strategy

Definition

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

Our performance

An increase in one accident occurring over the year. None of the accidents were reportable to RIDDOR.

STRATEGIC REPORT

Continually assessing risks

The Board regularly carries out a robust assessment of the principal risks facing the Group, including those that threaten the business model, 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.

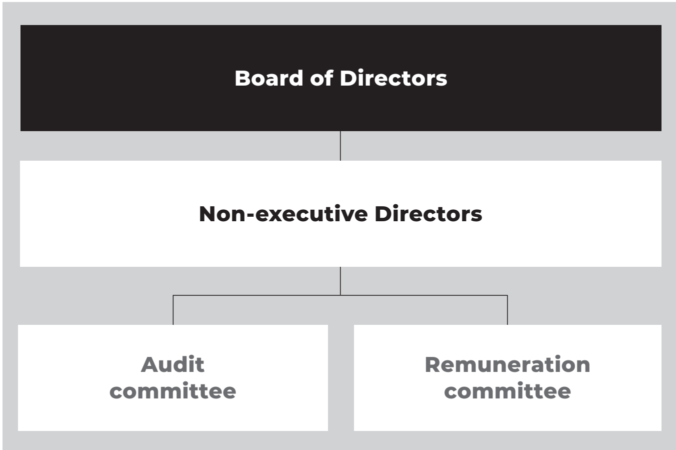
Managing our risks

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.

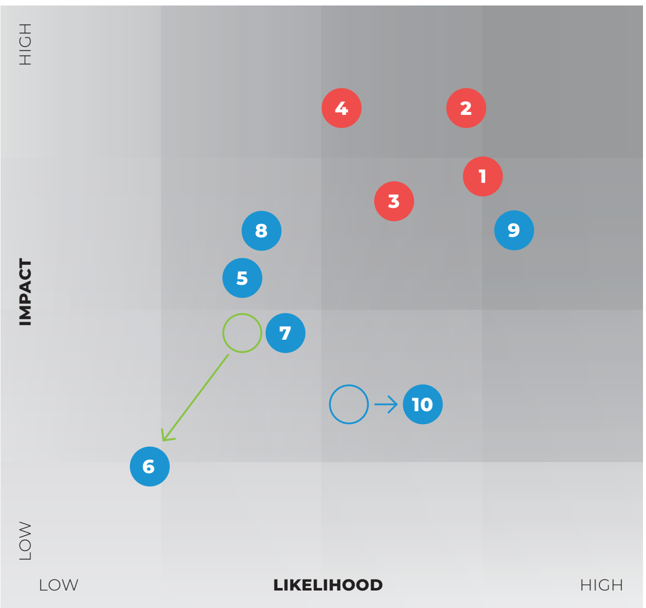
Risk management structure

The responsibility for risk identification, analysis, evaluation and mitigation rests with the operational management team of the businesses and is regularly communicated to and reviewed by 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.

Risk heat map



1. Downward price pressures from competing technologies
2. Reliance on key customers
3. Risks associated with timing of customer projects and price reductions
4. COVID-19
5. Advances in competing technologies
6. Managing increases in the overhead base
7. Risks associated with currency movements
8. Increasing costs of raw material supplies
9. Cyber security risk
10. Brexit

RISK DESCRIPTION	MITIGATING ACTIONS	POTENTIAL FINANCIAL IMPACT	RISK APPETITE LEVEL	CHANGE

Downward price pressures from competing technologies

RISK DESCRIPTION	MITIGATING ACTIONS	POTENTIAL FINANCIAL IMPACT	RISK APPETITE LEVEL	CHANGE
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 also introduced its new MPCT™ ASIC and family of controllers under the ZXY500 series and, in conjunction, new FPC tail designs and sensor configurations. These provided industry leading narrow border considerations, which had been configured based on years of customer feedback and market desire. The Group has been continuing the development of its own mixed metal oxide coating as a conductive medium solution to enable it to offer an alternative to its micro-fine filament sensing system, which will allow it to compete with other solution providers at a different price point.	●	1	→ This remains a high profile area which is why the Group continues to advance and develop its product offering to enable it to continue to be a market leader.

Reliance on key customers

RISK DESCRIPTION	MITIGATING ACTIONS	POTENTIAL FINANCIAL IMPACT	RISK APPETITE LEVEL	CHANGE
At present the Group gets 41% of its revenue from three 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. Zytronic's record of excellent customer service pre and post product sale is a big factor in maintaining the strong relationship that occurs with most of its customers. These factors help mitigate the risk of losing key customers and should protect the Group against any changes to trade agreements in regards to a "no deal" Brexit outcome. 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.	●	2	→ Whilst still a high risk, the Group can often have numerous projects with any particular customer which helps to reduce the overall reliance.

Risks associated with timing of customer projects and price reductions

RISK DESCRIPTION	MITIGATING ACTIONS	POTENTIAL FINANCIAL IMPACT	RISK APPETITE LEVEL	CHANGE
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 Group has to also consider the impact of customer price reduction requests.	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. The Group considers any price reduction requests from its customers and tries to offset this with product re-designs. Due to the uncertainty surrounding COVID-19 the Group has seen deferrals to projects that were expected to commence. Management is taking a cautious view on when things will return to more normal levels.	●	2	↑ This risk has changed due to COVID-19. Management continually tries to identify new customers and markets to further mitigate against this in the future.

Impact and change:

- → Unchanged
- ↑ Adverse
- ↓ Improved
- ● Major
- ● Moderate
- ● Minor

Links to strategy:

- Innovate
- Grow
- Invest

Appetite:

- 1 Acceptable
- 2 Review
- 3 Unacceptable

RISK DESCRIPTION	MITIGATING ACTIONS	POTENTIAL FINANCIAL IMPACT	RISK APPETITE LEVEL	CHANGE
COVID-19				
The COVID-19 pandemic continues to significantly impact individuals, businesses, markets and economies and despite coping well during the crisis the unprecedented period of uncertainty presents risk that requires consideration and management. Zytronic was able to maintain its operations during the UK lockdown and has met all customer commitments to date. Notwithstanding the fact that the Board has implemented positive measures during the pandemic there remains a high degree of uncertainty over future events and the consequences for the Group.	Global economic disruption may result in reduced demand for our products. The opportunities pipeline, despite growing over the period, has seen a number of "Projects" being reclassified as "Prospects", and thereby reducing their likelihood of conversion in the short term. This presents revenue risk to the Group. Economic disruption may also impact financial markets including currencies, interest rates, borrowing costs and the availability of debt finance. The Group is well placed to deal with this due to the large cash resources it has available. The health and safety of our employees is of paramount importance. There is a risk that our colleagues may come into contact with carriers of COVID-19 and bring it into our facilities. In order to manage the risks and adhere to government guidelines the Group has made changes within its facilities. COVID-19 has increased cyber threats from cyber criminals and other malicious groups who are targeting businesses by deploying COVID-19 related scams and phishing emails. Employees working from home have also heightened cyber security risks. The Group has remained extra vigilant to this type of risk.		2	**NEW RISK**
Advances in competing technologies				
A 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. A further four patent applications have been initiated during the year and the Group has eight patents granted in total.		3	→ The Group is always looking to develop its product offerings and to protect itself from its competition through its internally generated intellectual property.
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 is supported by 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 continues to consider 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. Management also underwent a restructuring exercise during the year to align headcount with revenue as a result of the impact of COVID-19.		1	↓ Management has changed this risk due to the controls it has put in place.
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 for a period of up to four months ahead in line with the working capital cycle.		1	→ The Group sees this as a moderate risk due to the protection mechanisms in place, but will be impacted by any movements in currency.

Increasing costs of raw material supplies

RISK DESCRIPTION	MITIGATING ACTIONS	POTENTIAL FINANCIAL IMPACT	RISK APPETITE LEVEL	CHANGE
There are continual upward pressures on the cost of raw material supplies, many arising from increases in oil prices and energy costs. Raw materials are also purchased in US Dollars and Euros and 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. The Group has worked with its suppliers over the year to amend its order profiling due to the pandemic.		1	→ No change to the risk but management is continually reviewing the supply arrangement particularly around the possible implications of Brexit.

Cyber security risk

RISK DESCRIPTION	MITIGATING ACTIONS	POTENTIAL FINANCIAL IMPACT	RISK APPETITE LEVEL	CHANGE
The risk to the Group is that of unauthorised access to or external disclosure of Group information, including those caused by "cyber attacks".	Management has implemented technical and procedural controls to minimise the occurrence of information and financial security and data protection breaches. Access to information is only provided on a "need-to-know" and "least privilege" basis consistent with the user's role and also requires the appropriate authorisation. Where sensitive data is made available to third parties it is done under confidentiality agreements.		2	→ No change to the risk but management continues to take appropriate action to minimise any potential threat.

Brexit

The result of the EU referendum in 2016 increased the level of macroeconomic uncertainty for the Group and the Group has since then continued to consider the impact of what could be a "no deal" scenario. The Directors believe that the Group's unique positioning as a niche player in a global market with a diverse revenue base means it is well placed to minimise any negative impacts. However, some of the risk areas are considered as follows:

RISK DESCRIPTION	MITIGATING ACTIONS	POTENTIAL FINANCIAL IMPACT	RISK APPETITE LEVEL	CHANGE
Customs delays in importing and exporting goods into the UK, delaying raw materials in and finished goods out to customers.	The Group is a big importer and exporter of goods into and out of the country. There is a risk that goods inward could be impacted by delays at borders, meaning raw materials are delayed going into production. The Group has assessed its space requirements to ensure it can hold higher levels of raw material stock should it need to. The Group also has sufficient cash resources to enable it to do this. At present, 41% of the Group's sales go into the EU and all of these sales are made on an ex-works basis where the customer is responsible for the delivery. This is a mitigating factor as our obligation to the customer in terms of delivery is when the goods are made available for collection. The Group has also considered applying for the Authorised Economic Operator ("AEO") status but, given that the majority of its EU sales are on an ex-works basis, it would have no control over who its customers choose to use as carriers and therefore could not guarantee that AEO status for those shipments could be maintained.		3	→ No change to the risk but management continues to keep abreast of any developments.
Fluctuating exchange rates which in turn could impact cashflows.	The Group transacts in three currencies: Pounds, US Dollars and Euros, and adopts natural hedging where possible to mitigate against exchange rate movements. A weakened Pound as a result of a "no deal" scenario would likely have a positive impact on the Group due to the high levels of exports. The Group also has sufficient cash resources to protect against any short term volatility.		2	→ The risk remains unchanged as the ongoing Brexit discussions continue.
Delayed payments from customers subject to working capital stresses.	The Group has very good credit control policies and, while this may impact internal working capital in the short term, it has sufficient cash resources to mitigate against this. The Group also regularly reviews customers' credit arrangements to ensure they are reflective of the business needs.		3	→ Management does not consider there to have been a change to this risk and continues to monitor as appropriate.

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

Environmental

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 and have regular external audits to support this.

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 which can contribute to the advancement of our touch technology. We regularly review this across all departments to ensure that we continue to meet the needs of the Group and also to assist in succession planning. Despite the challenges due to COVID-19 in the year, training continued for production personnel to obtain a level three diploma in management. For some personnel this concluded in the year and for others in early financial year 2021.

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 97% of its waste away from landfill with the remaining 3% being used as RDF fuel.

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.

Apprenticeships

We are committed to training and have embarked on an apprenticeship scheme to train our engineers of the future. We believe this will help to mitigate against a possible longer term skills gap and encourage more apprentices to join the Group.

Zytronic apprenticeship scheme

Zytronic is engaged with a local apprenticeship training scheme, TDR Training, an approved training provider based in North East England which provides apprenticeships in engineering and manufacturing at level three, amongst other apprenticeships.

Zytronic currently employs three apprentices to serve as a multi-skilled Maintenance Technician, a Production Technician and a Quality Technician, all of which are at different stages in their training. Previously, there were two other apprentices, both of whom have successfully completed their training.

The Group has identified the benefits of recruiting through an apprenticeship scheme and will be looking to maintain this where necessary in the future.

Zytronic has reduced pollution into the environment by diverting 97% of its waste away from landfill with the remaining 3% being used as RDF fuel.

Employee engagement

We strive to create the right conditions for all members of our organisation to give their best, be committed to our goals and values, and be motivated to contribute to the organisational success, with an enhanced sense of wellbeing. We ensure we communicate with our employees on a regular basis and we consider their feedback and knowledge when making changes to our processes. This year in particular this has been more critical than ever as we ensured we were in regular communication with any staff on Furlough to keep them abreast of any business developments. We have an employee assistance service through one of our insurers that we encouraged staff to utilise if they wished to talk over any matters of personal concern during the pandemic. We have a good mix of long serving employees and newer recruits which brings a good perspective when it comes to business development. When recruiting new or replacement personnel we ensure we enhance upon the skills and expertise already in place.

Customer engagement

Our workstreams are project orientated and we therefore rely heavily on customer engagement and feedback on delivering exceptional products tailored exactly to our customers' requirements. We do not sell one standard product and therefore our relationships with our customers pre and post-sale are essential to the future business development. We continue to advise and support our customers following a sale in order to assist with the integration of our sensors into their final products. We often provide troubleshooting advice on areas that are not related to our core business to assist the customer and maintain our reputation of providing excellent customer service. Other than delivering exceptional quality, it is because of this engagement and level of support that our customers come back to us for new and innovative future projects.

Supplier engagement

We have very good relationships with our suppliers and we work in conjunction with them to ensure our raw materials are delivered to our exact specification in the quantities in which we require at the times we require them. As a Group whose USP is the quality and durability of its products we must ensure the components of our product meet the requirements of ourselves and our customers. We also liaise with our suppliers on the development of new materials to ensure the relationships continue to strengthen. We do not engage with suppliers that do not abide with the Modern Slavery Act guidance and we do not buy conflict materials. We also prohibit the use of child labour in our supply chain.

Health and safety

We are committed to meeting the highest safety standards for all the employees and visitors to our site. We have a dedicated health and safety committee which meets on a regular basis over the year and reports back to the Board of Directors. We continue to reinforce and develop the safety processes in the business and develop a competent workforce with a view to achieving long term improvement gains. The Board of Directors of ZDL has certification in IOSH Safety for Executives and Directors.

During the course of the year our health and safety controls were tightened to ensure that social distancing requirements were, and continue to be, in force, to protect all our employees and visitors.

An increase to net cash over last year of £0.9m to **£14.0m**

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

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

Group revenue

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

Gross margin

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

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

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

Group trading

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

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

Exceptional other income

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

Tax

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

Loss/earnings per share

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

Dividend

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

Capital expenditure

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

Cash and debt

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

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

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

The Group maintains an overdraft facility, which is available for use in any of its three currencies. The Group also has an FX policy in place whereby it is hedged in both US Dollars and Euros for a period of four months ahead to correspond with its working capital policies and currency requirements.

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

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

Claire Smith
Group Finance Director
7 December 2020

New product – ZYBRID® hover

Location:
Global

Sector:
Surfaces

ZYTRONIC ADDS A THIRD DIMENSION TO TOUCH WITH ITS ZYBRID® hover TECHNOLOGY

Zytronic has released a contactless sensing option that can detect user interactions up to 30mm away from the surface of the glass. Based upon the Company's fully customisable ZYBRID® touch sensors, and developed entirely at its UK R&D and manufacturing facility, ZYBRID® hover has been designed to assist manufacturers of self-service kiosks in their efforts to reassure customers nervous about touching publicly used surfaces.

ZYBRID® hover works in conjunction with Zytronic's ZXY500™ projected capacitive ("PCAP") controller, which uses proprietary firmware to boost sensitivity levels far beyond what is normally possible. Together with a specially designed touch sensor, this enables a significantly deeper touch-field to be generated. Furthermore, the multi-touch sensor can recognise basic gestures (such as zooms, pinches and swipes) even when the user is wearing thick gloves. It can also be set to work in standard touch mode, of course, with direct user contact to the surface of the touchscreen.

Read more at
zytronic.co.uk/news/zytronic-adds-third-dimension-touch-zybrid-hover-technology

About our
leadership team

The Board brings a balance of relevant backgrounds and experience to its discussions.

Tudor Griffith Davies
Non-executive Chairman
A R

Experience and skills
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.

Mark Cambridge
Chief Executive

Experience and skills
Mark became Chief Executive of Zytronic plc in 2008, after his appointment to the Board in 2007. Mark has a BSc (Hons) in Materials Science, a Securities Institute Certificate in Corporate Finance and is a Fellow of the IoD. Prior to Zytronic, Mark worked for the United Kingdom Atomic Energy Authority, George Blair plc and the Romag Group. Within the Zytronic Group, Mark has also held the positions of Technical and Quality Director, Business Development Director and Sales and Marketing Director of the operating subsidiary Zytronic Displays Limited, whilst being appointed its Managing Director in 2006 and President of its US subsidiary Zytronic Inc in 2012, positions he continues to hold.

Claire Smith
Group Finance Director

Experience and skills
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. Claire is also the Group Company Secretary and advises the Group on its regulatory and legal matters.

David John Buffham
Independent Non-executive Director
A R

Experience and skills
David is Chairman of the audit and remuneration committees of the Board and has been a Director of the Company since October 2010.

David has held a number of other Non-executive Director positions. Until October 2019 David was a Director of William Leech (Investments Ltd), where he additionally sat on the investment committee and served as a trustee of the William Leech Foundation. He was also a Non-executive Director of Newcastle Building Society until June 2019 and sat on the Society's board risk committee, which he chaired for eight years until 2018. He has corporate governance experience in his roles as the Society's Senior Independent Director and Deputy Chairman. He also has remuneration and nominations committee experience, sitting on both of these for the Society. Until 2010 David worked for the Bank of England, most recently as the Bank's regional agent for the North East for nine years. During his time with the Bank, David covered a wide range of areas, including risk management, macroeconomic policy and treasury operations.

Board composition

Executive
2
Non-executive
2

Board meetings

Attendance
100%

Key
- A Member of audit committee
- R Member of remuneration committee
- ● Committee Chair

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, and in line with the London Stock Exchange's changes to the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code, the Board has adopted the Quoted Companies Alliance ("QCA") Corporate Governance Code.

Tudor Davies
Chairman

This Corporate governance statement, together with the information provided below and in the Audit committee report, explains how Zytronic's governance framework works and how it applies the principles of business integrity, high ethical values and professionalism in all its activities. As a Board, we recognise that we are accountable to shareholders for good corporate governance, and we seek to promote consistently high standards of governance throughout the Group that are recognised and understood by all. The Group promotes this culture within its strategy and management of risks and is continually analysing this, from information provided by the executive management team, to ensure compliance.

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 David Buffham, the Independent Non-executive Director, were members of the Board.

The Chairman and the Non-executive Director 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 Directors' qualifications are listed on page 28. They keep their skills relevant and up to date by continuous professional development, attending seminars and reading financial and trade publications. Mark Cambridge is also a Fellow of the Institute of Directors.

The Board met four times over the year. Its direct responsibilities include reviewing annual and quarterly forecasts, 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 Non-executive Director.

Role	Responsibilities
The Chairman	▶ leadership of the Board and ensuring open and effective communication between the Executive and Non-executive Directors; and ▶ ensuring Board meetings are effective by setting appropriate and relevant agenda items, creating an atmosphere whereby all Directors are engaged and free to enter healthy and constructive debate.
The Chief Executive	▶ day-to-day management of the Group's business and implementation of the Board-approved strategy; ▶ acting as Chairman of the Executive committee and leading the senior management team in devising and reviewing Group development for consideration by the Board; ▶ responsibility for the operations and results of the Group; and ▶ promoting the Group's culture and standards.
The Non-executive Director	▶ constructively challenging management proposals and providing advice in line with their respective skills and experience; ▶ helping develop proposals on strategy; and ▶ having an integral role in succession planning.
The Company Secretary	▶ responsible for advising the Board on all governance matters; and ▶ ensuring that good information flows within the Board and its committees, and between senior management and the Non-executive Director, as well as facilitating induction processes and assisting with professional development as required.

The workings of the Board and its committees continued

The Board continued

The Chairman and the Non-executive Director have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered.

The Board members acknowledge that they have a collective responsibility and legal obligation to promote the interests of the Group and are collectively responsible for defining corporate governance arrangements. However, the Chairman acknowledges that the ultimate responsibility for the quality of, and approach to, corporate governance lies with him.

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 Group's expense. This has not been requested during the year.

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 on page 28.

Audit committee

The Audit committee report and information is disclosed on page 32.

Remuneration committee

The Remuneration report and information is disclosed on pages 33 and 34.

Board effectiveness

The Board does not have a formal Board effectiveness process but the Chairman believes the Board has performed effectively over the year. The key strategic issues and risks have been discussed in an open and honest forum with decisions being made based on the factual data presented. Each Board member has a particular area of expertise and has utilised this to provide insightful comment and contribution to the business demands of the Group. The Group is mindful of succession planning and has discussions on this matter. The Board feels it has a good balance of skills and expertise; however, all members are regularly challenged and assessed at the Board meetings.

Relations with shareholders

Communication with shareholders is given high priority. There is regular dialogue with major and/or institutional shareholders, including presentations after the Group'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 Group'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 Chairman of the audit and remuneration committees is available at the Annual General Meeting to answer questions.

Details of resolutions to be proposed at the Annual General Meeting on 25 February 2021 can be found in the Notice of Annual General Meeting on pages 69 to 71.

In addition, the Independent Non-executive 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.

2020 key shareholder engagements

February	AGM trading update AGM	RNS Meeting
May	Interim results	Meetings/RNS
August	Replacement of auditor	RNS
October	Pre-close trading update	RNS
December	Preliminary results Annual report published	Meetings/RNS Report

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 has adopted the QCA Code and follows its guidance. The Directors set out below and overleaf some of the key aspects of the Group's internal control procedures.

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 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 Group has 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.

The audit committee comprises the Non-executive Director, David Buffham (Chairman), and Tudor Davies, the Non-executive Chairman. The Board considers that the members collectively have the balance of skills and experience required to discharge their duties effectively.

The audit committee is responsible for reviewing a wide range of matters, including the half-year and annual financial statements, 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 the external auditor and on its remuneration both for audit and non-audit work, and discusses the nature, scope and results of the audit with the auditor.

The audit committee keeps under review the cost effectiveness of the auditor. It also reviews the extent of the non-audit services provided by the auditor and reviews with it its 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 committee meets officially twice a year, once to review the audit planning document and once to review the annual financial statements and has direct access to Crowe UK LLP ("Crowe"), the Group's external auditor, at any point during the year. The committee extends its invitation to attend the audit committee meetings to the Executive Directors, once the reviews of the annual audit process have been concluded. Any issues arising from these papers can be communicated to the Group's auditor either by the audit committee Chairman or the Group Finance Director.

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

Audit committee meetings

Attendance
75%

The following key areas of risk and judgement have been identified and considered in relation to the business activities and financial statements of the Group:

Risk of fraud in revenue recognition and cut-off

Under ISA (UK and Ireland) 240 there is32a presumed risk that revenue may be misstated due to improper recognition of revenue. The Group has varying incoterms (e.g. EXW, DAP, CPT and DDP) and supplier and vendor managed inventory arrangements in place for key customers which management considers increases the risk around performance conditions being incorrectly applied, resulting in the incorrect cut-off of revenue at the year end. The audit focus was around the overstatement of revenue through incorrect cut-off, and management override, where there are manual adjustments posted to revenue. The committee concurred with the management and auditor's assessment that revenue has been recognised in accordance with the requirements of the accounting standard IFRS 15 and that there are no cut-off errors or indicators of fraudulent reporting.

Capitalisation of development expenditure

Product development is critical to the Group to maintain and advance its product offering to its customers. The Group capitalises development expenditure on ongoing and new projects in the year, which can be of considerable expense and open to management judgement. The audit findings have concluded that the costs of development have been appropriately considered under the accounting standard IAS 38. The committee has concurred with this outcome following its own review of the papers presented.

The Group's management and auditor confirmed to the audit committee that they were not aware of any material misstatements in the reported financial statements. Having reviewed the reports received from management and the auditor, the committee is satisfied that the key areas of risk and judgement have been appropriately addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust.

Response to key audit matters

The committee considers that Crowe has carried out its duties as the auditor in a diligent and professional manner. As part of the review of auditor independence, Crowe has confirmed that it is independent of the Group and has complied with applicable auditing standards. This is the first year in which Crowe has held office as the auditor. In accordance with professional guidelines, the engagement partner is rotated after five years at most and the current partner is in their first year of the engagement. In assessing the auditor's effectiveness, the committee:

- challenged the work undertaken by the auditor to test management's assumptions and estimates in the key risk areas;
- reviewed reports received from the auditor on these and other matters;
- received and considered feedback from management; and
- held private meetings with the auditor that provided the opportunity for open dialogue and feedback between the committee and the auditor without management being present.

In addition, the Chairman of the committee has the ability to discuss by telephone and in person with the audit lead partner outside the formal committee process throughout the year.

Having completed its review, the audit committee is satisfied that Crowe remained effective and independent in carrying out its responsibilities up to the date of signing this report.

After careful consideration of the advice of the audit committee, the Board has concluded that the 2020 annual report is fair, balanced and understandable and provides the necessary information for the Group's shareholders to assess the Group's risks, performance, business model and strategy.

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 of its trading subsidiary, Zytronic Displays Limited. The committee is composed of the Independent Non-executive Director, David Buffham, as its Chairman, and the Group's Chairman, Tudor Davies. In determining remuneration for the year, the committee has given full consideration to the requirements of the UK Corporate Governance Code.

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

Remuneration policy

The remuneration of Executive Directors is determined by the committee and the remuneration of the Chairman and the Non-executive Director is approved by the full Board of 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 34.

Annual bonus

For the financial year 2020 there are no bonus payments 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.

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 2020 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	**2020 £'000**	2019 £'000
Mark Cambridge	**12**	12
Claire Smith	**8**	8
Total	**20**	20

Remuneration committee meetings

Number of meetings in 2020

0

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 2020		30 September 2019	
	Number	**%**	Number	%
Mark Cambridge	**92,458**	**0.58**	92,458	0.58
Tudor Davies	**90,909**	**0.57**	90,909	0.57
Claire Smith	**42,381**	**0.26**	42,381	0.26
David Buffham	**18,500**	**0.12**	18,500	0.12

There has been no change in Directors' shareholdings since 30 September 2020.

Directors' emoluments for the year ended 30 September 2020 (audited)

	Salary £'000	Fees £'000	Benefits £'000	**Total emoluments* 2020 £'000**	Total emoluments* 2019 £'000
Non-executive Chairman					
Tudor Davies	—	80	—	**80**	81
Executive					
Mark Cambridge	153	—	2	**155**	157
Claire Smith	94	—	1	**95**	95
Non-executive					
David Buffham	—	35	—	**35**	36
	247	115	3	**365**	369

* Excluding pension contributions.

Share price during the year

During the year to 30 September 2020, the highest share price was 250.0p and the lowest share price was 82.5p. The market price of the shares at 30 September 2020 was 112.5p.

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.

The Directors present their annual report and financial statements for the year ended 30 September 2020.

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 2020/2021 are disclosed in the Strategic report on pages 16 to 18.

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 96% 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. The employment of Taiwanese and Japanese nationals in the APAC region has also increased the Group's presence in that region. Management continues to look for and engage with suitable appointees to expand the Group's network 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 and to consider any acquisition possibilities. The Financial review includes a paragraph discussing the cashflows which occurred in the year ended 30 September 2020 and the overall net funds position.

No changes were made to these objectives, policies or processes during the years ended 30 September 2019 and 2020.

Research and development

The research and development team has crucially continued to innovate throughout the year on a number of different projects, one of which has arisen as a result of COVID-19 in terms of surface protection. Another key interactive product development during the year has been large format multi-monitor stacking to create immersive large surface area interactive video walls.

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

Further details on the Group's R&D activities are included in the Chief Executive Officer's review section of the Strategic report.

Results and dividends

The consolidated statement of comprehensive income is set out on page 40. The Group loss after tax amounted to £(0.3m) (2019: profit of £2.7m). The Directors do not propose the payment of a final dividend. This will bring the total dividend for the year to 0p per share (2019: 22.8p).

Directors

The Directors of the Company are shown on page 28. 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.

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

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 the auditor

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 28. Having made enquiries of fellow Directors and of the Company's auditor, 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 auditor in connection with preparing its report) of which the Company's auditor is 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 auditor is aware of that information.

Annual General Meeting ("AGM")

The AGM will be held at the office of Zytronic plc on 25 February 2021 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.

Auditor

A resolution to appoint Crowe UK LLP as the Company's auditor will be put to the shareholders at the forthcoming Annual General Meeting.

On behalf of the Board

Claire Smith
Company Secretary
7 December 2020

Registration number
03881244

Opinion

We have audited the financial statements of Zytronic plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 30 September 2020, which comprise:

- the Group statement of comprehensive income for the year ended 30 September 2020;
- the Group and Parent Company statements of financial position as at 30 September 2020;
- the Group statement of cash flows for the year then ended;
- the Group and Parent Company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

In our opinion:

- 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 2020 and of the Group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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, 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.

Conclusions relating to going concern

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

- 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

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £125,000 (FY19 £153,000), based on of 5% percent of Group profit before tax on a three-year average.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and Directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £6,000 (2019: £7,650). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of our audit approach continued

Overview of the scope of our audit

The Group and its subsidiaries are accounted for from one location in the UK. Our audit was conducted remotely having attended the main operating location in the UK for our stocktake visit and to carry out preliminary systems and controls work.

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

Zytronic Displays Limited is a full scope component and Zytronic, Inc. is a review scope component with all audit work being carried out directly by the Group audit team.

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 forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
Revenue recognition and application of IFRS 15 Revenue is recognised in accordance with the accounting policy set out in the financial statements. This includes the application of IFRS 15 – Revenue from contracts with customers. There are a variety of customer arrangements in place which have different points when the performance obligation has been satisfied with the customer.	Our audit procedures consisted of: Reviewing management's assessment of the impact of IFRS 15 on the revenue streams in the business and the accounting policies. Validating that revenue is recognised in accordance with the accounting policies through testing an appropriate sample of income covering each type of customer arrangement. Assessing the appropriateness of the related disclosures in the financial statements.
Capitalisation of development costs Development costs are capitalised on on-going and new projects during the year and include subcontract costs as well as internal labour costs. There is a risk that costs are capitalised which relate to the research stage and that should be expensed to the Statement of Comprehensive Income.	We have assessed the appropriateness of development costs capitalised during our audit to assess whether costs are being correctly capitalised. Development costs capitalised in the year relate predominantly to internal salary costs. 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 assess whether capitalised costs meet the requirements.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our 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 Directors' report and strategic 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 their 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 where 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 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 the Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on pages 35 and 36, 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's 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.

Auditor's 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 auditor's 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.

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

Use of our report

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 auditor's 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.

Mark Evans (Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
Black Country House
Rounds Green Road
Oldbury
B69 2DG
7 December 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	**2020 £'000**	2019 £'000
Group revenue	2	**12,680**	20,104
Cost of sales		**(10,130)**	(13,311)
Cost of sales excluding exceptional items		**(9,015)**	(13,311)
Exceptional items	3(a)	**(1,115)**	—
Gross profit		**2,550**	6,793
Distribution costs		**(196)**	(350)
Administration expenses		**(3,318)**	(3,462)
Administration expenses excluding exceptional items		**(3,060)**	(3,462)
Exceptional items	3(b)	**(258)**	—
Group trading (loss)/profit	4	**(964)**	2,981
Exceptional other income	5	**500**	—
Group operating (loss)/profit		**(464)**	2,981
Finance revenue	7	**41**	76
(Loss)/profit before tax		**(423)**	3,057
Tax credit/(expense)	8	**129**	(366)
(Loss)/profit for the year		**(294)**	2,691
Other comprehensive income		**—**	—
Total comprehensive (loss)/income		**(294)**	2,691
(Loss)/earnings per share			
Basic	10	**(1.8p)**	16.8p
Diluted	10	**(1.8p)**	16.8p

All activities are from continuing operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Intangible assets	11	**1,043**	1,299
Property, plant and equipment	12	**5,820**	6,385
		6,863	7,684
Current assets			
Inventories	13	**2,332**	3,034
Trade and other receivables	14	**1,888**	4,127
Cash and short term deposits	15	**14,038**	13,143
		18,258	20,304
Total assets		**25,121**	27,988
Equity and liabilities			
Current liabilities			
Trade and other payables	16	**591**	962
Derivative financial liabilities	17	**—**	21
Provisions	18	**582**	—
Accruals	16	**376**	499
Government grants	19	**27**	—
Tax liabilities		**—**	192
		1,576	1,674
Non-current liabilities			
Deferred tax liabilities (net)	20	**480**	516
		480	516
Total liabilities		**2,056**	2,190
Net assets		**23,065**	25,798
Capital and reserves			
Equity share capital	22	**160**	160
Share premium	22	**8,994**	8,994
Retained earnings		**13,911**	16,644
Total equity		**23,065**	25,798

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

Mark Cambridge
Chief Executive
7 December 2020

Claire Smith
Group Finance Director

Zytronic Group plc: Registered number 03881244

CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020 £'000	2019 £'000
Operating activities			
(Loss)/profit before tax		**(423)**	3,057
Finance income		**(41)**	(76)
Depreciation and impairment of property, plant and equipment		**718**	726
Amortisation, impairment and write-off of intangible assets		**457**	430
Amortisation of government grant		**(442)**	(15)
Fair value movement on foreign exchange forward contracts		**(21)**	14
Working capital adjustments			
Decrease/(increase) in inventories		**702**	(13)
Decrease/(increase) in trade and other receivables		**2,360**	(389)
Increase/(decrease) in trade and other payables and provisions		**88**	(742)
Cash generated from operations		**3,398**	2,992
Tax paid		**(220)**	(238)
Net cashflow from operating activities		**3,178**	2,754
Investing activities			
Interest received		**41**	71
Payments to acquire property, plant and equipment		**(153)**	(506)
Payments to acquire intangible assets		**(201)**	(144)
Net cashflow used in investing activities		**(313)**	(579)
Financing activities			
Dividends paid to equity shareholders of the Parent		**(2,439)**	(3,658)
Receipt of government grants		**469**	—
Net cashflow used in financing activities		**(1,970)**	(3,658)
Increase/(decrease) in cash and cash equivalents		**895**	(1,483)
Cash and cash equivalents at the beginning of the year	16	**13,143**	14,626
Cash and cash equivalents at the year end	16	**14,038**	13,143

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 2020 were authorised for issue by the Board of Directors on 7 December 2020 and the statement of financial position 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) Adoption of new and revised standards

During the year the Group has applied the following accounting standards that are mandatorily effective for an accounting period that begins on or after 1 January 2019. The adoption of these standards has had no impact on the amounts reported in the financial statements. There was also no impact on the consolidated statement of other comprehensive income or the consolidated cashflow statement.

- Amendments to IFRS 9 Financial Instruments
- IFRS 16 Leases
- Annual Improvements to IFRSs: 2014–2016 Cycle – IFRS 1 and IAS 28 Amendments

IFRS 16 Leases

The Group has adopted IFRS 16 Leases which is mandatory for years commencing on or after 1 January 2019. This standard has replaced IAS 17 and establishes principles for the recognition, measurement, presentation and disclosure of leases. The management review of the new standard concluded that there are no material leases which would require different treatment under IFRS 16 in the financial year.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Plant and machinery	–	3 to 15 years
Motor vehicles and other equipment	–	3 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in interest-bearing loans and borrowings.

iii) Short term leases and leases of low-value assets

The Group applies the short term lease recognition exemption to its short term leases of machinery and equipment (i.e. those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

1. Accounting policies continued

(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 and there is commercial interest in the product. Management applies judgement in determining that its development costs are development but as the nature of its development is progression from existing products it is comfortable in this judgement. Management applies judgement in the review of costs capitalised to determine whether any impairment should be recognised. Management also applies judgement in its impairment of its development costs and assesses this on a regular basis to ensure that any costs still capitalised continue to be commercially viable. As the development of products is progressive and there are still sales of legacy products, management is comfortable with this judgement.

(d) Key sources of estimation uncertainty

There are no key sources of estimation uncertainty at the statement of financial position date.

(e) Going concern

As stated in the Directors' report, the Directors believe there are no material uncertainties that call into doubt the Group's ability to continue as a going concern and the accounts have therefore been prepared on that basis. In light of the current climate in relation to the COVID-19 pandemic the Directors have reviewed the Group's finances. In the short term, cash holdings are sufficient to ensure adequate cashflow for the foreseeable future. In the medium to long term, plans for, and the structure of, Zytronic plc remain extant and will continue to be regularly reviewed.

Having regard to the above, the Directors believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

(f) 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 statement of comprehensive income.

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.

(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 statement of financial position date. All differences are taken to the statement of comprehensive income. 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 21.

1. Accounting policies continued

(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	–	40 years
Plant and machinery	–	varying rates between 5% and 50% 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 statement of comprehensive income 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 statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

(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 statement of comprehensive income 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 three to ten years.

1. Accounting policies continued

(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) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group's financial assets include trade receivables and cash and cash equivalents.

(m) Trade and other receivables

Trade receivables are recognised and carried at their original amount less expected credit losses.

(n) Cash and cash equivalents

Cash and short term deposits in the statement of financial position 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 statement of financial position 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.

The Group's financial liabilities include trade and other payables and derivative financial instruments. The derivative financial instruments are measured at fair value through the statement of comprehensive income. The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Fair value measurement of financial instruments

The Group remeasures its derivatives at fair value at each statement of financial position 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.

(o) 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 statement of comprehensive income 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.

1. Accounting policies continued

(p) 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 statement of comprehensive income.

(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 statement of comprehensive income as they become payable in accordance with the rules of the scheme.

(r) Revenue recognition

Zytronic recognises revenue when it transfers goods or services to a customer based on the amount of consideration to which it expects to be entitled from a customer in exchange for fulfilling its performance obligations.

In determining the appropriate method of recognising revenue, management is required to make judgements as to whether performance obligations are satisfied over a period of time or at a point in time. Zytronic has no performance obligations that are satisfied over a period of time and therefore recognises revenue at a point in time.

Sales of finished goods product

Sales of finished goods product to customers are recognised when control of the product has transferred to the third party. This is usually when title passes to the customer, either on shipment or on receipt of goods depending on the delivery terms of the customer order. The performance obligation is satisfied when control has passed to the customer. The transaction price is specified in confirmation of the customer order.

Sales of vendor managed inventory

Zytronic supports two of its customers by holding inventory in third party locations near to the customer's production facility. Revenue is recognised when the goods have been moved out of the location by the customer and a purchase order has been provided or if a maximum stock holding period has arisen. The performance obligation is satisfied when control has passed to the customer or the stock holding period reached.

(s) 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. Where the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systemic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is credited to deferred income and released to the statement of comprehensive income to match the depreciation of the related asset.

(t) Tax

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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 statement of financial position 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 Chief Operating Decision Maker considers that it has a single business unit comprising the development and manufacture of customised optical filters to enhance electronic display performance. All revenue, profits or losses before tax and net assets are attributable to this single reportable business segment.

The Board monitors the operating results of its entire business for the purposes of making decisions about resource allocation and performance assessment. Business performance is evaluated based on operating profits.

All manufacturing takes place in the UK and accordingly all segment assets are located in the UK. The analysis of segment revenue by geographical area based on the location of customers is given below:

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

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

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

3. Exceptional costs

(a) Cost of sales

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

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

(b) Administration expenses

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

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

4. Group trading (loss)/profit

This is stated after charging/(crediting):

	30 September 2020 £'000	30 September 2019 £'000
R&D costs	**471**	454
Amortisation and impairment of development expenditure	**414**	385
	885	839
Auditor's remuneration – in respect of audit services*	**57**	69
– in respect of taxation compliance services	**—**	1
– in respect of taxation advisory services	**—**	8
Depreciation of owned assets	**718**	726
Amortisation of software	**—**	6
Amortisation, impairment and write-off of licences	**40**	26
Cost of inventories recognised as an expense including:	**4,213**	7,037
– the net movement in the stock provision	**200**	64
Amortisation of capital grants	**(442)**	(15)
Net foreign currency contract differences	**1**	15

* £16,000 of this relates to the Company (2019: £14,000).

5. Exceptional other income

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

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

6. Staff costs and Directors' emoluments

	30 September 2020 £'000	30 September 2019 £'000
Wages and salaries	**5,274**	5,348
Social security costs	**420**	476
Other pension costs	**182**	191
	5,876	6,015

There are no charges for share-based payments included in wages and salaries.

The total of Directors' emoluments is £365,000 (2019: £369,000). The aggregate value of contributions paid to money purchase pension schemes includes £20,000 (2019: £20,000) in respect of two Directors (2019: two).

Amounts paid to the highest paid Director are £155,000 (2019: £157,000) plus a contribution paid to the money purchase pension scheme of £12,000 (2019: £12,000).

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

	30 September 2020 Number	30 September 2019 Number
Production	**120**	143
Administration and sales	**40**	43
	160	186

6. Staff costs and Directors' emoluments continued

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.

7. Finance revenue receivable

Finance revenue

Interest payable	**30 September 2020 £'000**	30 September 2019 £'000
Bank interest receivable	**41**	76

8. Tax

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

* Note 20.

Reconciliation of the total tax (credit)/charge

The effective tax rate of the tax credit in the statement of comprehensive income for the year is 30% (2019: charge of 12%) compared with the average rate of corporation tax charge in the UK of 19% (2019: 19%). The differences are reconciled below:

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

8. 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.

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

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

The Patent Box regime allows companies to apply a rate of corporation tax of 10% to profits earned from patented inventions and similar intellectual property. Zytronic generates such profits from the sale of products incorporating patented components. The Group has determined that all relevant criteria have been satisfied for bringing income within the regime. Consequently, Patent Box claims have been made for the 2014 to 2019 accounting periods, and the 2020 benefit has been estimated.

9. Dividends

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

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

10. (Loss)/earnings per share

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

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

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

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

11. Intangible assets

	Software £'000	Goodwill £'000	Patents and licences £'000	Development expenditure £'000	Total £'000
Cost					
At 1 October 2018	598	235	2,018	3,640	6,491
Additions	—	—	15	130	145
Disposals	—	—	(27)	—	(27)
At 1 October 2019	598	235	2,006	3,770	6,609
Additions	—	—	45	156	201
Disposals	—	—	(6)	—	(6)
At 30 September 2020	**598**	**235**	**2,045**	**3,926**	**6,804**
Amortisation and impairment					
At 1 October 2018	592	—	1,787	2,527	4,906
Provided during the year	6	—	26	385	417
Disposals during the year	—	—	(13)	—	(13)
At 1 October 2019	598	—	1,800	2,912	5,310
Provided during the year	—	—	40	414	454
Disposals during the year	—	—	(3)	—	(3)
At 30 September 2020	**598**	**—**	**1,837**	**3,326**	**5,761**
Net book value at 30 September 2020	**—**	**235**	**208**	**600**	**1,043**
Net book value at 1 October 2019	—	235	206	858	1,299
Net book value at 1 October 2018	6	235	231	1,113	1,585

Included within cost is £0.4m (2019: £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 continuing strength 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 one-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.

The cashflows for the cash-generating unit have been discounted using a pre-tax discount rate of 6%, 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 of 3% 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.

12. Property, plant and equipment

The amounts carried in the statement of financial position comprise:

	Land £'000	Freehold property £'000	Long leasehold property £'000	Plant and machinery £'000	Total £'000
Cost					
At 1 October 2018	207	3,070	2,463	10,691	16,431
Additions	—	—	—	513	513
Disposals	—	—	—	(2,398)	(2,398)
At 1 October 2019	207	3,070	2,463	8,806	14,546
Additions	—	—	—	153	153
At 30 September 2020	**207**	**3,070**	**2,463**	**8,959**	**14,699**
Depreciation and impairment					
At 1 October 2018	—	645	695	8,486	9,826
Provided during the year	—	61	79	586	726
Disposals	—	—	—	(2,391)	(2,391)
At 1 October 2019	—	706	774	6,681	8,161
Provided during the year	—	62	72	584	718
At 30 September 2020	**—**	**768**	**846**	**7,265**	**8,879**
Net book value at 30 September 2020	**207**	**2,302**	**1,617**	**1,694**	**5,820**
Net book value at 1 October 2019	207	2,364	1,689	2,125	6,385
Net book value at 1 October 2018	207	2,425	1,768	2,205	6,605

13. Inventories

	30 September 2020 £'000	30 September 2019 £'000
Raw materials and consumables	**1,622**	2,278
Work in progress	**311**	335
Finished goods	**399**	421
	2,332	3,034

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

14. Trade and other receivables

Current assets

	30 September 2020 £'000	30 September 2019 £'000
Trade receivables	**1,474**	3,883
VAT recoverable	**48**	36
Prepayments	**187**	208
Government grants	**58**	—
Corporation tax	**121**	—
	1,888	4,127

14. Trade and other receivables continued

Current assets continued

Trade receivables are denominated in the following currencies:

	30 September 2020 £'000	30 September 2019 £'000
Sterling	**453**	1,360
US Dollar	**896**	1,861
Euro	**125**	662
	1,474	3,883

Out of the carrying amount of trade receivables of £1.5m (2019: £3.9m), £0.9m (2019: £2.3m) is the amount of debts owed by four major customers (2019: 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. Some customers, with whom there is a long-standing relationship, are on 90-day terms. They are shown net of a provision for impairment.

As at 30 September 2020, trade receivables at a nominal value of £4k (2019: £Nil) were impaired due to poor payment history. Movements in the provision for impairment of trade receivables were as follows:

	£'000
At 1 October 2018	1
Utilised	(1)
At 1 October 2019	—
Charge for the year	4
At 30 September 2020	**4**

Category	Definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cashflows.	Twelve-month expected losses. Where the expected lifetime of an asset is less than twelve months, expected losses are measured at its expected lifetime.
Underperforming	A significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail).	Lifetime expected losses.
Write-off	Interest and/or principal repayments are 120 days past due and/or there is no reasonable expectation of recovery based on known information from the customer.	Asset is written off.

30 September 2020	Weighted average loss rate	Gross carrying amount £'000	Impairment loss allowance £'000	Credit impaired
Performing	**0.00%**	**1,027**	**—**	**No**
Underperforming	**0.00%**	**443**	**—**	**No**
Write-off	**100.00%**	**4**	**(4)**	**Yes**
		1,474	**(4)**	

30 September 2019	Weighted average loss rate	Gross carrying amount £'000	Impairment loss allowance £'000	Credit impaired
Performing	0.00%	3,644	—	No
Underperforming	0.00%	239	—	No
Write-off	0.00%	—	—	No
		3,883	—	

14. Trade and other receivables continued

Current assets continued

At 30 September, the ageing analysis of trade receivables was as follows:

		Past due		
	Not due	<3 months £'000	>3 months £'000	Total £'000
2020	**1,017**	**416**	**41**	**1,474**
2019	2,599	1,270	14	3,883

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.

15. Cash and short term deposits

	30 September 2020 £'000	30 September 2019 £'000
Cash at bank and in hand	**11,503**	7,351
Short term deposits	**2,535**	5,792
	14,038	13,143

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

At 30 September 2020, 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 July 2021.

The fair value of cash and cash equivalents is £14.0m (2019: £13.1m).

16. Trade and other payables

	30 September 2020 £'000	30 September 2019 £'000
Trade payables*	**522**	861
Other taxes and social security costs	**69**	101
	591	962
Accruals	**376**	499
	967	1,461

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

17. Financial liabilities

	30 September 2020 £'000	30 September 2019 £'000
Foreign exchange forward contracts	**—**	21
Total	**—**	21
Total current	**—**	21

The foreign exchange forward contract liabilities above are measured at fair value through the statement of comprehensive income 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.

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 2020, the Group has used a Level 2 valuation technique to determine the fair value of all forward exchange contracts and loans.

17. Financial liabilities continued

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.

18. Provisions

	30 September 2020 £'000	30 September 2019 £'000
Costs of restructuring	**582**	—
Total exceptional costs	**582**	—

In mid-September the Group announced a further restructuring programme, resulting from the impact of the COVID-19 pandemic, the costs of which have been provided for in the consolidated statement of comprehensive income as at 30 September 2020. This concluded late October and early November 2020.

19. Government grants

	30 September 2020 £'000	30 September 2019 £'000
Grant income received	**469**	—
Released to the consolidated statement of comprehensive income	**(442)**	—
At 30 September	**27**	—

The Group has made claims over the year under the UK government's CJRS for when its employees were on Furlough leave. The total amount of money received under the scheme up to September 2020 is £437k and the total utilised over the year is £437k. The Group was also able to make a claim for its US employees under the US PPP loan scheme. The total amount of money received for this was £32k, of which £5k has been utilised at the end of September 2020.

20. Deferred tax liability/(asset)

The deferred tax included in the statement of financial position is as follows:

	30 September 2020 £'000	30 September 2019 £'000
Deferred tax liability		
Accelerated capital allowances	**358**	362
Capitalised R&D	**115**	144
Other	**12**	12
Fair value movement on currency contracts	**—**	1
	485	519
Deferred tax asset		
Pension asset	**(5)**	(3)
	(5)	(3)
Disclosed on the statement of financial position	**480**	516

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20. Deferred tax liability/(asset) continued

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

	30 September 2020 £'000	30 September 2019 £'000
Deferred tax in the statement of comprehensive income		
Fair value movement on currency contracts	**—**	2
Accelerated capital allowances	**(3)**	2
R&D tax credits	**(30)**	(49)
Other	**2**	(1)
Deferred income tax credit	**(35)**	(46)

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 statement of financial position 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 July 2021 and is to provide funding for working capital.

Maturity profile of financial liabilities

Year ended 30 September 2020

	On demand £'000	<3 months £'000	3–12 months £'000	Total £'000
Trade and other payables	**758**	**140**	**—**	**898**
Foreign exchange forward contracts – outflows	**—**	**671**	**116**	**787**
Total	**758**	**811**	**116**	**1,685**

Year ended 30 September 2019

	On demand £'000	<3 months £'000	3–12 months £'000	Total £'000
Trade and other payables	884	476	—	1,360
Foreign exchange forward contracts – outflows	—	1,795	572	2,367
Total	884	2,271	572	3,727

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.

21. Financial risk management policy and financial instruments continued

Foreign exchange risk

Foreign exchange 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 2020 for a period of up to 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 individual contracts over a period of four months at rates between $1.29427 and $1.29312 and are in place until January 2021. The Euro forward vanilla contracts are fixed over a series of two one-monthly contracts at rates between €1.10174 and €1.10173 and are also in place until November 2020.

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
2020				
Sterling	**+10%**	**(130)**	**+10%**	**(38)**
	-10%	**159**	**-10%**	**47**
2019				
Sterling	+10%	(139)	+10%	(63)
	-10%	170	-10%	77

Capital management

The Group's policies on capital management are included in the Directors' report on page 35.

22. Share capital and share-based payments

(a) Share capital

	2020 Number Thousands	2019 Number Thousands	**2020 £'000**	2019 £'000
Allotted, called up and fully paid				
Ordinary shares of 1p each	**16,044**	16,044	**160**	160

(b) Share premium

	£'000
At 1 October 2019	8,994
At 30 September 2020	**8,994**

23. Capital commitments

Amounts contracted for at 30 September 2020 but not provided for in the financial statements amounted to £76,000 (2019: £26,000) for the Group.

24. Pension scheme commitments

Contributions for the year ended 30 September 2020 amounted to £182,000 (2019: £191,000) and the outstanding contributions at the statement of financial position date were £27,000 (2019: £15,000). The Group is a member of a group personal pension scheme which is a defined contribution scheme. Contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme.

25. 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 statement of comprehensive income to the Directors:

	2020 £'000	2019 £'000
Salaries/fees	**415**	419
Pension contributions	**23**	23
	438	442

26. Guarantees

Zytronic plc has given a guarantee to Barclays Bank plc in connection with the overdraft facility detailed in note 15.

Consolidated statement of comprehensive income
For the five years ended 30 September 2020

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Group revenue	**12,680**	20,104	22,288	22,892	21,087
Cost of sales	**(10,130)**	(13,311)	(14,047)	(13,481)	(12,071)
Cost of sales excluding exceptional items	**(9,015)**	(13,311)	(14,047)	(13,481)	(12,071)
Exceptional items	**(1,115)**	—	—	—	—
Gross profit	**2,550**	6,793	8,241	9,411	9,016
Distribution costs	**(196)**	(350)	(461)	(393)	(378)
Administration expenses	**(3,318)**	(3,462)	(3,639)	(3,591)	(4,365)
Administration expenses excluding exceptional items	**(3,060)**	(3,462)	(3,639)	(3,591)	(4,365)
Exceptional items	**(258)**	—	—	—	—
Group trading (loss)/profit	**(964)**	2,981	4,141	5,427	4,273
Other income	**500**	—	—	—	—
Group operating (loss)/profit	**(464)**	2,981	4,141	5,427	4,273
Finance costs	**—**	—	(21)	(24)	(23)
Finance revenue	**41**	76	68	10	20
(Loss)/profit before tax	**(423)**	3,057	4,188	5,413	4,270
Tax credit/(expense)	**129**	(366)	(541)	(825)	(183)
(Loss)/profit for the year	**(294)**	2,691	3,647	4,588	4,087
Other comprehensive income	**—**	—	—	—	—
Total comprehensive (loss)/income	**(294)**	2,691	3,647	4,588	4,087
(Loss)/earnings per share					
Basic	**(1.8p)**	16.8p	22.7p	29.0p	26.6p
Diluted	**(1.8p)**	16.8p	22.7p	28.8p	26.1p
Dividends per share	**0p**	22.8p	22.8p	14.7p	12.3p

All activities are from continuing operations.

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

Consolidated statement of financial position

At 30 September 2016 to 2020

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Assets					
Non-current assets					
Intangible assets	**1,043**	1,299	1,585	1,633	1,457
Property, plant and equipment	**5,820**	6,385	6,605	7,030	7,389
	6,863	7,684	8,190	8,663	8,846
Current assets					
Inventories	**2,332**	3,034	3,021	2,996	2,760
Trade and other receivables	**1,888**	4,127	3,738	3,506	3,745
Derivative financial assets	**—**	—	—	54	—
Cash and short term deposits	**14,038**	13,143	14,626	14,099	12,763
	18,258	20,304	21,385	20,655	19,268
Total assets	**25,121**	27,988	29,575	29,318	28,114
Equity and liabilities					
Current liabilities					
Trade and other payables	**591**	962	1,446	1,042	1,302
Financial liabilities	**—**	—	—	—	1,148
Derivative financial liabilities	**—**	21	7	—	959
Provisions	**582**	—	—	—	205
Accruals	**376**	499	767	862	834
Government grants	**27**	—	—	—	—
Tax liabilities	**—**	192	13	3	122
	1,576	1,674	2,233	1,907	4,570
Non-current liabilities					
Government grants	**—**	—	15	25	48
Deferred tax liabilities (net)	**480**	516	562	610	260
	480	516	577	635	308
Total liabilities	**2,056**	2,190	2,810	2,542	4,878
Net assets	**23,065**	25,798	26,765	26,776	23,236
Capital and reserves					
Equity share capital	**160**	160	160	160	154
Share premium	**8,994**	8,994	8,994	8,994	7,766
Retained earnings	**13,911**	16,644	17,611	17,622	15,316
Total equity	**23,065**	25,798	26,765	26,776	23,236

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	4	**4,061**	4,174
Investments	5	**10,106**	10,106
		14,167	14,280
Current assets			
Trade and other receivables			
– amounts falling due within one year	6	**6**	10
– amounts falling due after one year	6	**960**	538
Cash and short term deposits		**10,272**	10,451
		11,238	10,999
Total assets		**25,405**	25,279
Equity and liabilities			
Current liabilities			
Trade and other payables	7	**183**	192
Non-current liabilities			
Deferred tax liabilities (net)	8	**176**	163
Total liabilities		**359**	355
Net assets		**25,046**	24,924
Capital and reserves			
Equity share capital	9	**160**	160
Share premium	9	**8,994**	8,994
Retained earnings		**15,892**	15,770
Total equity		**25,046**	24,924

The Company's profit for the year was £2,561,000 (2019: £4,585,000).

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

Mark Cambridge
Chief Executive
7 December 2020

Claire Smith
Group Finance Director

Zytronic Group plc: Registered number 03881244

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 October 2018	160	8,994	14,843	23,997
Profit for the year	—	—	4,585	4,585
Dividends	—	—	(3,658)	(3,658)
At 1 October 2019	160	8,994	15,770	24,924
Profit for the year	—	—	2,561	2,561
Dividends	—	—	(2,439)	(2,439)
At 30 September 2020	**160**	**8,994**	**15,892**	**25,046**

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 7 December 2020. The financial statements are prepared in accordance with FRS 101 Reduced Disclosure Framework.

A statement of comprehensive income 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 2020.

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

- 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 Presentation of Financial Statements;
- 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.

(c) 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	–	40 years
Long leasehold property	–	30–50 years

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 statement of comprehensive income 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 statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

1. Accounting policies continued

(d) Investments

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

(e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company's financial assets include cash and cash equivalents.

The Company's financial liabilities include trade and other payables.

Cash and cash equivalents

Cash and short term deposits in the statement of financial position 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 statement of financial position as the Company 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.

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 statement of comprehensive income 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 in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(f) Tax

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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 statement of financial position date.

2. Auditor's remuneration

Auditor's remuneration for the year ended 30 September 2020 was £16,000 (2019: £14,000).

3. Staff costs and Directors' emoluments

	30 September 2020 £'000	30 September 2019 £'000
Fees	**115**	117
Social security costs	**15**	15
	130	132

The total of Directors' emoluments is £115,000 (2019: £117,000). This is in relation to fees for services provided. There are no charges for pension costs.

Amounts paid to the highest paid Director are £80,000 (2019: £81,000).

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

	30 September 2020 Number	30 September 2019 Number
Administration	**2**	2
	2	2

4. Property, plant and equipment

	Land £'000	Freehold property £'000	Long leasehold property £'000	Total £'000
Cost				
At 1 October 2019 and 30 September 2020	**207**	**3,070**	**2,097**	**5,374**
Depreciation				
At 1 October 2019	—	706	494	1,200
Provided during the year	—	62	51	113
At 30 September 2020	**—**	**768**	**545**	**1,313**
Net book value at 30 September 2020	**207**	**2,302**	**1,552**	**4,061**
Net book value at 1 October 2019	207	2,364	1,603	4,174

5. Investments

Investments in subsidiary companies

	2020 £'000	2019 £'000
Shares in subsidiary companies		
At beginning of year	**10,106**	10,106
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.

6. Trade and other receivables

	2020 £'000	2019 £'000
Prepayments and accrued income	**6**	9
VAT	**—**	1
	6	10

Amounts falling due after more than one year are:

	2020 £'000	2019 £'000
Amounts owed by Group undertakings	**960**	538

7. Trade and other payables

	2020 £'000	2019 £'000
Trade creditors	**1**	7
Other creditors and accruals	**51**	59
Other amounts owed to subsidiary undertakings	**81**	81
Corporation tax	**50**	45
	183	192

8. Deferred tax liability

The deferred tax included in the statement of financial position is as follows:

	2020 £'000	2019 £'000
Accelerated capital allowances	**176**	163
At 1 October	**163**	170
Credit in the statement of comprehensive income	**13**	(7)
At 30 September	**176**	163

9. Equity share capital

(a) Share capital

	2020 Number Thousands	2019 Number Thousands	2020 £'000	2019 £'000
Allotted, called up and fully paid				
Ordinary shares of 1p each	**16,044**	16,044	**160**	160

(b) Share premium

	£'000
At 1 October 2019	8,994
At 30 September 2020	**8,994**

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 July 2021. This facility is to provide funding for working capital.

In light of the prevailing government guidance in relation to COVID-19, it is proposed that the AGM be convened with the minimum quorum of shareholders present in order to conduct the business of the meeting. This will be facilitated by Zytronic plc.

In the interests of protecting the health and safety of our shareholders, colleagues and the wider public, shareholders will not be admitted to the AGM. Our advisers and other guests have also been asked not to attend. Instead, we ask all shareholders to appoint the Chairman as their proxy to vote on the resolutions set out in the notice as early as possible. The Form of Proxy must be received by no later than 9.30 am on Tuesday 23 February 2021 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting). Questions to the Chairman can be posed via the following email address: info@zytronicplc.com.

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 Thursday 25 February 2021 to consider and, if thought fit, pass the following resolutions:

Ordinary business

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

1. To receive the financial statements for the year ended 30 September 2020 and the reports of the Directors and auditor thereon.
2. To re-elect Tudor Davies as a Director.
3. To appoint Crowe UK LLP as auditor and to authorise the Directors to fix its 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 Companies Act 2006 (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 2022 or at the close of business on the date which is 15 months after the date of this Annual General Meeting (whichever is the earlier), 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 2022 (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 2022 or at the close of business on the date which is 15 months after the date of this Annual General Meeting (whichever is the earlier) 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 2022 or at the close of business on the date which is 15 months after the date of this Annual General Meeting (whichever is the earlier) 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 cancellation.

By order of the Board

Claire Smith
Company Secretary
Zytronic plc
Whiteley Road
Blaydon-on-Tyne
Tyne and Wear
NE21 5NJ

7 December 2020

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 23 February 2021 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 23 February 2021; 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 6.00 pm on Friday 23 February 2021 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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Zytronic plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Symbol Freelife Satin, an FSC® certified material. This document was printed by Opal X using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. Both the printer and the paper mill are registered to ISO 14001.

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