



Future focused

ZYTRONIC PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS 2023





We are working on a number of initiatives to address the headwinds the Group is currently facing so that the Group may return to revenue growth and profitability as soon as practicably possible.

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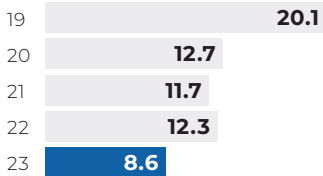
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FINANCIAL OVERVIEW

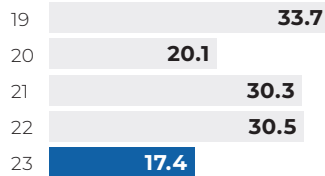
Group revenue (£m)

£8.6m



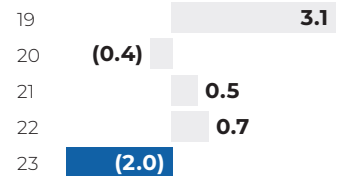
Gross profit margin (%)

17.4%



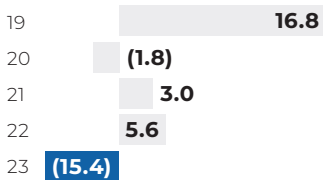
(Loss)/profit before tax (£m)

£(2.0)m



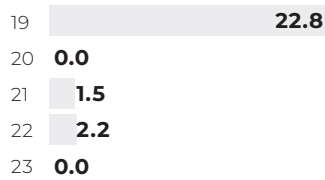
(Loss)/earnings per share (p)

(15.4)p



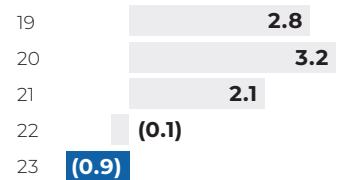
Dividends (p)

0.0p

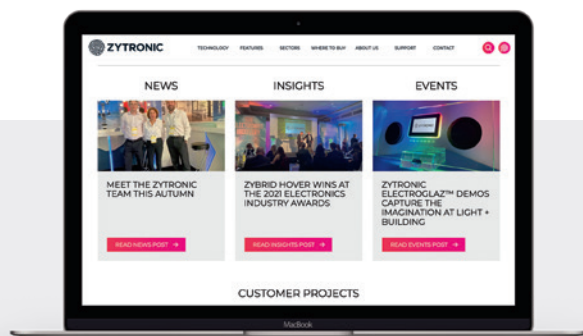


Cash (used in)/ generated from operating activities (£m)

£(0.9)m



- ▶ Decrease in revenues to £8.6m (2022: £12.3m)
- ▶ Headwinds arise in Gaming and Vending markets over the year impacting revenue to both. Reduction of Gaming sales of £2.3m and Vending of £1.0m
- ▶ Gross margin excluding exceptional costs of 24.5% (2022: 30.5%) and including exceptional costs of 17.4% (2022: 30.5%)
- ▶ LBITDA excluding exceptional costs at £0.4m (2022: EBITDA of £1.5m) and including exceptional costs at £1.4m (2022: EBITDA of £1.5m) with loss before tax of £2.0m (2022: profit before tax of £0.7m)
- ▶ Basic loss per share of 15.4p (2022: earnings per share of 5.6p)
- ▶ Proposed final dividend of 0.0p (2022: 2.2p)
- ▶ Closing net cash of £4.7m (2022: £6.4m) with interest earned of £0.2m (2022: less than £0.1m)



Learn more
zytronic.co.uk/case-studies/

Our technology empowers people all over the world

From finding the way to a departure gate to dispensing drinks in a restaurant, 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
- ▶ 20+ years' expertise in touch controller and firmware development
- ▶ Rapid prototyping capability

Our touchscreens are everywhere



Signage

Our touch sensors are increasingly used in signage applications to provide content providers with the ability to offer interactive engagement directly with individual customers in both indoor and outdoor environments, particularly as our technology is the most durable available for all weather conditions.



Gaming

Our highly adaptable and customisable touch technology product solutions are used in a variety of gaming cabinet and table applications, from betting terminals to casino slot machines. The combination of manufacturing capabilities and touch interactivity offers designers in the gaming markets an ability to create bespoke designs to offer their clientele an unbeatable playing experience.



Financial

Our years of manufacturing experience in the ATM marketplace, coupled with our highly durable and environmentally stable touch sensing technology, offers financial and transactional kiosk manufacturers with unrivalled performance in both indoor and outdoor deployments and designers with the capability of digitally fusing PIN encryption as required.



Vending

Our tough, customisable touch product solutions, enable both product and service vending designers and equipment manufacturers with unparalleled performance at the point of sale no matter the location or environment, providing 24/7 customer access in the harshest of environments and climates.



Industrial

Our ability to create multi-structured touch sensors, provides added impact performance whilst enabling the user in all industrial environments with the required personal protection equipment to operate effectively, no matter the harshness or remoteness of the human machine interface.



Other

Our touch product solutions are readily usable in a number of varied market applications, from home automation, healthcare, to commercial telematics, due to its flexibility in addressing both size, configuration and environment.

Awards and recognition

Best of ISE 2023 award

Multitouch monitor winning

The Electronic Industry award 2021

Display Product of the Year – ZYBRID®hover – Contactless Touch Technology

ELEKTRA 2020 awards

Zytronic wins Passive & Electromechanical Product of the Year

Our markets



Market	2023	2022
Americas	£1.4m	£2.5m
UK	£0.7m	£0.7m
EMEA	£3.4m	£3.6m
APAC	£3.1m	£5.5m
Total	£8.6m	£12.3m



Market	2023	2022
1. Gaming	£2.4m	£4.7m
2. Vending	£2.6m	£3.6m
3. Industrial	£1.2m	£1.6m
4. Financial	£1.1m	£1.2m
5. Signage	£0.6m	£0.6m
6. Other	£0.7m	£0.6m
Total	£8.6m	£12.3m

Some of our customers



Our technology is proven, trusted and unique



Customisation options

We can easily adopt our near 50 years' experience in glass processing and optical lamination, with our comprehensive in-house glass processing equipment to allow us to produce products whether incorporating our interactive touch technology or not in near limitless forms, including, printing of borders, logos and point decals, or shaped in either flat or curved forms, whilst enhancing the overall impact performance to various international standards through thermal tempering.



Reliability

A key feature of our PCAP products, whether in our trademarked forms of PCT™ or MPCT™ is the unrivalled 24/7 functionality that our solutions offer above that achieved by consumer PCAP products in mobile phones etc. Performing through significant thicknesses of substrates in the harshest of environments and a range of gloved hand coverings, reliability characteristics are maximised, providing significant returns on the investment due to the minimisation of system downtime and reduced maintenance scheduling.



Sensitivity

Zytronic PCAP technical solutions provide one of, if not the best-in-class industry standards when assessing sensitivity performance, as it is designed for and controlled by Zytronic's own unique controller electronic architecture and AI algorithms that has been developed over the last 20+ years of concentrated PCAP expertise. This expertise ensures accurate, fast, and responsive multiple touch point detection, no matter the application or environment of use.



High-impact resistance

Utilisation of Zytronic PCAP sensing technology and affiliated control electronics and AI algorithms, products can be constructed from single and laminated substrates up to 20mm in thickness, depending upon the application use requirement. This ensures through the product development phase, that the impact requirements of the customer and regulations can easily be understood and designed in at the point of source.

Why invest in Zytronic?

1 Strong balance sheet with high levels of cash

- ▶ The Group has strong cash balances and despite a difficult trading year, cash closed at £4.7m
- ▶ The Group has an overdraft facility immediately available to it of £1.5m. It also has no debt
- ▶ The Group generated good interest income over the year of £0.2m

£4.7m
cash in the Group

▶ Read more on pages 26–27

2 Diversified technologies, products, markets and applications

- ▶ A new business development manager was appointed during the year to give greater coverage to the USA
- ▶ Electroglaz™ was launched during FY23 at the Light and Building Expo

5
key markets

▶ Read more on pages 8–10

3 Investment in our already proven and trusted technology

- ▶ Three further patents were granted in the year in the USA, Japan and South Korea, bringing the total granted to 15
- ▶ Electroglaz™ development was furthered with shelving and retail tables produced which incorporated embedded wireless inductive phone charging and localised spotlight illumination via wireless powering

£0.5m
investment in R&D

▶ Read more on pages 8–10

4 Increasing pipeline opportunities

- ▶ The pipeline opportunities grew by 17% over the year to close at 564 at the end of September 2023
- ▶ The Group's two largest revenue-generating markets both showed growth in opportunities over the period as marketing activities returned to normality

564
opportunities in pipeline

▶ Read more on pages 8–10

5 Excellence in manufacturing

- ▶ Recruitment of new and replacement personnel with better skills enables the Group to maintain its excellence in manufacturing
- ▶ The Group undertook extensive training of its production staff over the year to ensure personnel could be utilised in different production areas if required

16
skilled employees
degree level or higher

▶ Read more on pages 8–10

Looking ahead

Introduction

Since joining the Board in August 2023, I have greatly enjoyed learning about the business and meeting the team and, I am proud to take on the role of Non-executive Chair at a British company with such strong potential, albeit at a challenging time.

Markets and trading

Group performance in FY23 has been disappointing following the apparent recovery evidenced in FY22. This recovery was a false dawn which was not sustained in FY23, as demonstrated by the decline in revenue from all the main contributory markets.

Performance is described in detail in the FY23 Chief Executive review. In summary the main reasons for the lack of continued recovery in the year were a major end customer in the Gaming market entering a voluntary Chapter 11 Bankruptcy, which immediately suspended all orders and discussions for the remainder of the year; the continuing effects of electronic component shortages, which affected both Gaming and Vending; and the lack of trade events in previous years due to COVID-19, which underpin our interaction with channel partners and customers, and which has inhibited new business development in all our key market sectors.

From my early analysis of the situation, there is little doubt that the lack of sustained recovery is linked to the continuing impact of international events on the business, which sells into a complex global sector and where exports are the dominant source of revenue with 92% of sales outside the UK in FY23 (2022: 95%). The transnational supply chains and markets in which the Group operates have been fundamentally affected, and potentially permanently changed, by the pandemic and its consequences.

In addition, within the Group during the year there have been resignations of key staff, including the Sales and Marketing Director, and further restructuring in the operations department, the reasons for which are explained in the Chief Executive and Financial reviews.

Summary results and cash position

In summary, the full-year revenue performance was towards the upper end of the range guided to by the Company in the trading update issued on 4 May 2023 at £8.6m (2022: £12.3m). This reduction was the result of the events described in the trading update. Gross margin decreased to 24.5% excluding exceptional costs (2022: 30.5%) and 17.4% including exceptional costs (2022: 30.5%).

Overall, this resulted in the LBITDA excluding exceptional costs at £0.4m and including exceptional costs at £1.4m (2022: EBITDA of £1.5m) with loss before tax of £2.0m (2022: profit before tax of £0.7m). This is the equivalent of a loss of 15.4p per share (2022: earnings per share of 5.6p).

Closing net cash was £4.7m (2022: £6.4m), with further commentary provided in the Financial review.

Dividends

Based on the FY23 results and in line with the Board's prior position of not paying dividends other than from profits generated in the period, the Board is not proposing the payment of a final dividend for FY23. With no prior payment of an FY23 interim dividend, full year dividends for FY23 are therefore nil (FY22: 2.2p).

Activity

Despite the disappointing outcome for FY23, the Group has continued investment in products and future technology, which is an essential part of maintaining the competitive edge of a high technology business. This includes development work in new sensor configurations, further evolution of the AI algorithms, hybrid sensor designs to incorporate electromechanical devices on and within its interactive PCAP surface and product initiatives beyond touch components such as full interactive tables and Electroglaz™.

In FY24, it will continue to invest in these, as well as starting the scoping phase for a new Application Specific Integrated Circuit ("ASIC"), which is at the heart of its globally recognised, market leading, PCAP controller technology.

The Group promoted and appointed a new Sales Director during October 2023, whose first act has been to review carefully all the sales opportunities in the Customer Relationship Management system. The number and value of opportunities continues to grow overall, confirming an encouraging trend. The Group will also recruit further business development and sales executives and expand the channel partner network, to ensure the continued growth in the opportunities pipeline.

Despite a disappointing delay in order and revenue recovery post COVID-19, the short-term focus will be on continuing product investment and ensuring that the clear market opportunity reflected in the sales pipeline is realised through a revitalisation of the Group's business development activities.



With the trends exhibited in the second half of FY23 into the first quarter of FY24, revenues in the current year to date are lower than the same period last year. Nevertheless, the Group benefits from a strong balance sheet and has good visibility over its cost base over the next twelve-month period. With reinvigoration of the Group's business development function and differentiated technology and products, there are grounds for cautious optimism over the medium term.



Board structure

My appointment as independent Non-executive Chair has rebalanced the Board and ended the period of acting and interim Chair appointments. John Walter, who joined the Board in February 2023 as a temporary Non-executive Director, has helped us to manage the situation and led the recruitment process resulting in my appointment. The Board thanks him for his service, and for his valuable, considered, and clear input on the issues facing the business while a Director. John stands down from the Board immediately following the release of these audited results.

The Board is now comprised of two Executive Directors and two Independent Non-executive Directors, one of whom is the Chair, with a casting vote. This provides an efficient and effective Board that is compliant with the requirements of the QCA Corporate Governance Code.

Strategic situation

The Group has a 23-year record of innovation and technical excellence in the field of PCAP touch technology and operates in a truly global market, with an experienced and professional leadership team. Most of what we develop, and manufacture is exported from the UK. I am looking forward to working with the Board and the management team to build on this enviable foundation of proven capability and past success.

The Group has experienced the full range of possible changes in its global markets, covering political, economic, social and technology elements in recent years. Reflecting on this and all the points above, the Board recognises that a significant evolution of its existing strategy is required. The Board is therefore undertaking a review of the whole business and will lay out a clear strategy for recovery and the future direction of the Group in due course.

Current trading and outlook

With a continuation of the trends exhibited in the second half of FY23 into the first quarter of FY24, revenues in the current year to date are lower than the same period last year. Nevertheless, the Group benefits from a strong balance sheet and has good visibility over its cost base over the next twelve-month period. With reinvigoration of the Group's business development function and differentiated technology and products, there are grounds for cautious optimism over the medium term.

Chris Potts

Non-executive Chair
8 January 2024

Q&A Chris Potts Non-executive Chair

Q. What are your impressions of the Company

A. Zytronic has 20 plus years of innovation and technical excellence. The leadership team are experienced and highly professional. The firm operates in a truly global market. Most of what we develop, and manufacture is exported from the UK. I am looking forward to working with the Board and the management team to build on this enviable foundation of proven capability and past success.

Q. What was impact of COVID-19 and other global events

A. The impact of COVID-19 has almost been forgotten in day to day life. However, for many businesses – and especially technology businesses with complex international supply chains – the changes forced on firms was profound and the impact and consequences of that are still being determined. For example, some components became impossible to procure – seriously damaging delivery capability and forcing investment in alternative approaches – and then more recently the same components are available in large quantities. Firms and organisations struggling with uncertainty in their supply chains – including some of our customers – found local suppliers or explored new sources from new suppliers. Sometimes, they did not return to their original suppliers and supply networks. Interaction online was seen as an effective substitute for industry events and in person meetings. But often this concealed an underlying but crucial lack of confidence, certainty, and momentum. Also, such interactions were not always successful substitutes for detailed technical discussion, which is a key element in our business. Sometimes individuals changed their ways of working because they had to – and then in some cases decided that they wanted a complete change in their lives. More recently the war in Ukraine and the conflict in the Middle East has pre-occupied the media and resulted in economic consequences including inflation and diverse governmental responses, which undermine business confidence in several of the markets that Zytronic serves.

Q. What are the anticipated challenges and how will the Group overcome them

A. These and similar headwinds have affected Zytronic, and the whole sector, for at least three years and continue to produce surprises. Because exports represent 92% of our revenue, these challenges have inevitably severely affected the business. We must be practical; the year ahead is, hopefully, a year of recovery, in an exceptionally uncertain business environment.

In the last three years three entirely unrelated sets of challenges suddenly emerged in the global business environment. Nonetheless, Zytronic's reputation for quality and innovation is a material asset; our consistent generation of new products and technology initiatives is the firm's main means to recover market share and return to growth. We must proactively engage and re-engage with our global market, maintain our technical research and development, and continue to propose innovative and groundbreaking solutions to our global customers.

Q. How would you describe your leadership style

A. My aim as Chair is to ensure that the company is successful – reflecting the interests of customers, shareholders, employees, suppliers, and the wider community. My background includes both ensuring successful turnarounds, managing growth and ensuring effective governance. My approach is to adapt my style to the task at hand and work with the Board and management to fully understand our priorities, opportunities, threats, and the courses of action open to us, and make well-reasoned decisions.

An improvement in addressable opportunities

Introduction

The following provides the 2023 fiscal year ("FY23") review of sales and marketing, operations and the research and development ("R&D") undertaken by the Group's operational subsidiary Zytronic Displays Ltd ("ZDL"), drawing appropriate comparisons as necessary against the prior 2022 fiscal year ("FY22").

FY23 has been hampered by continued operational headwinds, tempered by an improvement in addressable opportunities as a consequence of a return towards normality post COVID-19 of the critical lead generation processes and marketing efforts for business development and the ongoing innovations around the projected capacitance ("PCAP") touch sensing technology by the R&D department.

A number of factors have had an influence on the revenue generation performance of ZDL over the course of FY23, the largest being the unpredicted turmoil that occurred with the customers in the Gaming market, coupled with an overstocking generated in FY22 in the Vending market, which are covered in more detail in this review.

On 4 May 2023, the Group issued an FY23 trading update, which explained the effects anticipated to occur by the year end as a consequence of the above, setting an expected revenue generation range of between £8.0m and £8.8m. The year concluded with reported revenues of £8.6m, a reduction of 30% against the £12.3m reported for FY22 but, in the circumstances, satisfactorily towards the top end of those revised expectations.

Markets

Of the major five key contributory markets, all have shown decline in FY23 compared to FY22, the largest being the £2.3m revenue reduction from the Gaming market. This resulted in Gaming being the second highest revenue generating market, and the Vending market becoming the highest revenue generating market in FY23.

The table below shows the revenues for each of the differentiating markets, and the lesser combined markets, referenced as Other.

Market	FY23	FY22
Vending	£2.6m	£3.6m
Gaming	£2.4m	£4.7m
Industrial	£1.2m	£1.6m
Financial	£1.1m	£1.2m
Signage	£0.6m	£0.6m
Other	£0.7m	£0.6m
Total	£8.6m	£12.3m

Note: Values are rounded to nearest £0.1m

Sales of products to the Vending market in FY23 have shown a circa £1.0m or 28% decline compared to FY22. In FY23 sales were made to 36 independent customers, compared to 47 in FY22. The largest two contributors in FY22, whose combined revenues accounted for £1.5m of sales, both declined in FY23 by a combined total of £1.1m, with the largest accounting for 76% of the reduction. The decline in this instance was associated with the US-based, independently branded fountain drinks dispenser customer, which, due to fears of electronic component shortages in FY22 overstocked at that point and therefore reduced its demand in FY23.

On a positive note, an increase was observed in FY23 sales of £0.9m to 21 of the 36 customers supplied, with the value-add reseller ("VAR") channel partners in Italy and Spain, the latter particularly in its sales to commercial electric vehicle charging station customers, accounting for a combined £0.3m of the increase.

The majority of sales revenues from the Gaming market, as a component supplier, were attributable to three main display integrator customers, all based in South Korea. The supplied design solutions to these customers, were then used by them to provide an integrated interactive display module to a number of slot machine original equipment manufacturers ("OEM") for use within a wide range of cabinet designs.

The 49% decline in FY23 Gaming market revenues to £2.4m was attributable to several contributory factors, the most notable being the total demise of the Aruze gaming group ("AGG"). In February 2023 AGG's casino sales entity Aruze Gaming America Inc. ("AGA") filed for a voluntary petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the State of Nevada. The subsequent effect of the Chapter 11 filing on ZDL was an inability to recover trade receivables from the AGG affiliate Aruze Philippines Manufacturing Inc. ("APMI"), the slot cabinet assembler of AGG and one of its sub-tier suppliers, and work in progress and finished goods stock for orders placed by the same sub-tier supplier, which subsequently became undeliverable. The year was then further affected by a lack of ongoing demand that would have been expected and deliverable during the second half period. Details of the financial impairments and actions taken are covered in more detail in the Financial review.

The business assets of AGA were sold by way of auction in July 2023, the slot operations, including land-based assets and online gaming, being bought by Play Synergy (in October 2023 re-branded as Aruze Gaming Global), an Empire Technological Group company, and the interactive table game assets being bought by Interblock USA. AGA was then officially wound up on 18 August 2023, which resulted in the total demise of AGG.

However, as indicated, other factors also contributed to the decline observed in the Gaming revenues for FY23, including the COVID-19 effects of "chip" and other electronic component shortages during FY22, which forced significant controller redesigns.



For one display integrator customer, and one design, which was reducing in volume as it moved towards end-of-life ("EOL"), the controller redesign meant the end OEM had to seek new extensive regulatory approvals, and thereby allowed its approved secondary source supplier to replace ZDL as primary supplier. The effect of both the loss of primary supply and reducing total volumes led to a reduction in comparable FY23 revenues of approximately £1.2m.

Sales of product solutions to the Industrial market, which are generally associated with machine control interfaces and informational kiosks, were 26% lower in FY23 over the £1.6m reported in FY22. The largest program decline coming from a USA customer, where the product is used in control dials for industrial boilers. Regionally, EMEA exhibited the largest monetary decline of £0.3m, which was relatively spread across most western European countries other than Spain, which exhibited a modest £0.1m increase. In a similar fashion to that of Vending, there are numerous individual customers that make up the sales generators in that market, being 49 in both FY23 and FY22. Of the FY23 49 customers, 34 were repeat customers from FY22, accounting for 94% of the total FY23 sales.

Product sales to the Financial market, historically dominated by two ATM customers, their affiliated group companies, sub-tier suppliers and products, have, as indicated in the FY22 review, achieved a maintenance level of revenue generation, as the products supplied are low volumes of old version new builds and in-field replacement spares. FY23 sales were 96% of the £1.2m in FY22, with sales into one ATM entity up by £0.2m at £1.0m, whilst sales to the other were down by £0.2m at £0.2m.

Sales of products to the Signage market in FY23, which comprises informational systems, wayfinders, street furniture and tables, etc. achieved 90% of the £0.6m sales reported in FY22, with the largest individual regional declines experienced in Germany and France. Signage is also a market where there are numerous customers, having made sales to 22 individual entities during FY23, 17 being FY22 repeat customers, with eight of these being channel partner VARs.

Sales of products to the combined Other general category in FY23, comprising of smaller individual markets such as Healthcare, Home Automation, Industrial Telematics, Military, etc. achieved an increase of 3% on the FY22 £0.6m revenues. This was generated from trading with 38 customers (2022: 38), 23 of which we had also traded with in FY22 across those markets. The increase in revenues came from sales to the UK, offset by a near equal decline in sales to Germany.

In total across all markets, 43,500 touch sensor units were supplied in FY23, compared to 60,000 units in FY22. The Group observed a 19% reduction in small ($\leq 14.9"$) touch sensors sold to 14,000 units, a 24% reduction in medium ($\geq 15.0"$ $\leq 29.9"$) touch sensors sold to 22,500 units and, due in the main to the problems in the Gaming and Vending markets, a 47% reduction in large ($\geq 30"$) touch sensors sold to 7,000 units. As a consequence of the significant drop in large, supplied sensors, the PCAP units supplied under the trademark MPCT™ halved to 9,500 units, whilst curved units supplied reduced by 32% to 4,500 units. The latter two trends had a particular effect on gross margin, as they carry premium pricing compared to PCT™ flat PCAP sensors.

Export sales of £7.9m reduced as a percentage in FY23 to 92% (2022: £11.7m, 95%), with an 8% decline in EMEA invoiced sales to £3.4m, a 44% decline in the Americas to £1.4m, a 44% decline in APAC to £3.1m and a 10% improvement in the UK to £0.7m.

Operations

With the reduced productive workload over the year, manning levels were under significant operational scrutiny, particularly over the second half period. As stated in prior years' annual reports, the multi-skilling and retention of skilled operatives is key to productivity and efficiencies within the business. It was for this reason that when a reduced workload became evident as the Group was entering the second half of FY23, ZDL's operational management took the decision to reduce the

working week and the manufacturing scheduling was flexed to align with demand and, in an attempt to retain the skills, a furlough scheme to pay up to 70% of normal basic pay for non-worked time for affected operatives was introduced.

However, as the scheme ran longer than management first anticipated and to align with a return to normal 5-day manufacturing practices at the start of the new 2024 fiscal year ("FY24"), a restructuring and permanent reduction in the number of direct labour employees was considered, which resulted in a 14-person reduction to 48 persons during September 2023. Of the 14 persons affected by the redundancy process, ten accepted voluntary redundancy.

Marketing

As indicated in the opening paragraph of this review, FY23 has proven to be the first year post the problematic periods associated with COVID-19, where near-normal business prospecting activities around sales and marketing are considered to have resumed, other than the human factor change to working from home permanently or as hybrid, which has made face-to-face lead generation meetings, other than at tradeshows particularly in western Europe and the USA, more difficult than they were pre-COVID-19.

Over the FY23 period, with a return of the increasing calendar of tradeshow events and pre-pandemic and international attendance levels, which started with the Global Gaming Expo in October 2022, ZDL has attended as either exhibitors (in collaboration with regional channel partners in several instances) or as attendees at a number of significant market related tradeshows, in the USA, Spain, the UK, Germany, Taiwan, Japan, Italy and China. The Group continues to see this as a primary strategy in the return to growth of the existing organic business, which will continue to be driven in FY24, as due to the global nature of ZDL sales revenues, a tradeshow provides a unique opportunity to address a wide range of existing and new customers in a geographical region in a compact time period.

At the annual Integrated Systems Europe ("ISE") expo in February, ZDL won the Best of the ISE 2023 award for the Most Creative Touchscreen Control System Interface for our demonstration unit where we integrated a curved version of our multi-touch PCAP sensor product and ZXY500 controller electronics on a new to market Samsung 49" Odyssey Neo G9 gaming monitor.

Unfortunately, the previously recruited marketing specialist (as mentioned in the FY22 annual report) resigned from the business in March 2023, as did the Sales and Marketing Director, in July 2023. At the start of FY24, Zytronic has internally appointed a new Sales Director, to drive global business development. The changes provided the opportunity to re-examine the marketing processes in place and make, where deemed appropriate, changes and improvements for FY24. The first improvement has been the commissioning of a new Zytronic website, in which the Group will now combine the previous disparate trading (www.zytronic.co.uk) and investment (www.zytronicplc.com) websites into one addressable entity, reducing the technology focus to one more aligned with market applications. It is expected that this process will conclude with the new website launch circa April 2024.

In combination with this, the Group will also look to change the way it addresses trade PR to reinforce its markets and associated applications knowledge and expertise, and its digital PR in combination with the new website design to focus on the key business-to-business social media outlets of LinkedIn and YouTube.

Opportunities log

A key monitored metric in the effectiveness and responsiveness of ZDL's prospecting activities is the movements in and additions to the Opportunities Log, which is presently through a Microsoft Dynamics CRM system, which will transition as part of the move to a new integrated Epicor enterprise resource planning ("ERP") system during FY24, to log and monitor leads and opportunities generated from a

Opportunities log continued

combination of tradeshow participation, direct business development, indirect channel partner engagement and application directed marketing campaigns.

As it is a dynamic system, inevitably opportunities move from "Open" to "Closed" on a near-daily basis. A Closed opportunity is either "won", as it has moved from the CRM system to productive purchase order(s) (not sampling orders), or "lost", being the point at which the potential customer has confirmed either it has lost its opportunity or it no longer has interest in pursuing a ZDL solution, which can be for reasons of price, specification, capability or opportunity duplication through multiple prospective customers who were pursuing the same end customer. Over the ten-year period between FY13 and FY23, the volume win rate of Closed opportunities is at a 34% average.

A snapshot of the CRM system is taken at each month end, to interrogate, evaluate and report upon the respective month-on-month movements. It is each business development manager's responsibility to ensure their individual and regional opportunities are accurately maintained as additions and changes occur. Consequently, with the recent appointment of a new Sales Director, they are undertaking a line-by-line review to identify any discrepancies that may exist in the Open opportunities, that should have resulted in them being Closed earlier.

To illustrate the end-of-month volume and value of Open opportunities, which are the critical fuel for new future revenue generation, as new opportunities add, which for won opportunities has an historical average maturation period of two years, the graph on the opposite page is presented.

The graph illustrates the dynamic changes in the levels of Open opportunities at month ends, in both the total quantity and the total unsensitised customer projected lifetime value ("CPLV"), over the five-year time frame from the start of FY19 through to the conclusion of FY23.

As the period covers the COVID-19 pandemic and its aftermath, the graph illustrates what became an inability to add new opportunities to the log whilst existing opportunities moved from Open to Closed, as the numerous global lockdown protocols initiated from circa January 2020, and new global business prospecting activities became increasingly difficult. The result was a lagged decline for nearly two-years before exhibiting an improvement, as business development and tradeshow activities in particular started ZDL on it's road to recovery.

However, although the volume of Open opportunities has shown an improvement to pre-pandemic levels, the recovery in CPLV of those opportunities lags somewhat behind a full recovery, due in the main to post-pandemic pricing pressures emanating from Asian-based competitors.

As of 30 September 2023, there were 564 Open opportunities in the CRM system, with a CPLV of £68.6m (30 September 2022: 484 and £59.0m), and the following table provides a split of these Open opportunities across the reportable markets.

Market	Open Opportunities	
	Volume	CPLV
Vending	174	£36.9m
Gaming	32	£12.0m
Industrial	155	£4.6m
Financial	20	£3.7m
Signage	92	£3.5m
Other	91	£7.9m
Total	564	£68.6m

Note: CPLV is rounded to nearest £0.1m

Research and development

In combination with the increased sales and marketing activities, ZDL's R&D team was also able to look at more market and application specific product innovations over the course of FY23, as the concerns over, and support needed for, the well documented global issues in electronic components, began to subside as expected.

Major R&D projects, which have been worked on over the course of the year, have been:

- ▶ full product designs for shelving and retail tables incorporating embedded wireless, inductive phone charging and localised spotlight illumination in powered wireless, fully transparent floating designs, utilising Electroglaz™ panels;
- ▶ designs and developments for touch integrated round and square LCD monitors, and their utilisation in full interactive table design solutions;
- ▶ improvements to our touch controller data processing and Artificial Intelligence ("AI") algorithms that allows for improved touch sensing functionality and interfacing with other PCAP sensing methodologies and materials, which they continue to actively evaluate as a potential ZDL supplied alternative; and
- ▶ advancements in the incorporation of mechanical devices, such as buttons, joysticks and rotary dials, as floating elements within the visible area of a touch display structure, whilst maintaining full touch interactivity around these devices, enabling designers with the ability to realise hybrid solutions on a single product entity.

As the work undertaken with ZDL's technology solutions in the PCAP environment is novel, ZDL continues to ensure adequate and appropriate IP protection is valid and in place, through the filing of patents, not only in the UK but in other applicable international jurisdictions.

Over the course of FY23, granted patent protection has occurred in the USA (filed on 22 April 2021, granted on 25 October 2022 as US11,481,057), in Japan (filed on 9 May 2018, granted on 26 June 2023 as JP7302824) and in South Korea (filed on 9 May 2018, granted on 13 July 2023 as KR10-2556872), under the Display Arrangement Patent Family (P031248). This now takes the number of ZDL national and international granted patents to 15, across ten patent families, with a further ten patents pending from four of the patent families, with priority dates ranging from May 2017 through to October 2021.

In FY24, work will continue on new button format integrations with the PCAP technology including new sensor configurations, which is seen as particularly pertinent to the Gaming, Industrial and Healthcare markets, as well as improved AI algorithms in support of this. As electronic capabilities are ever advancing, R&D will also begin a scoping exercise to review design concepts for a new evolution of a ZDL Application Specific Integrated Chip ("ASIC"), to incorporate improved design and greater functionality over the existing ZXY500 Series ASIC, whose initial release was in 2018.

I would finally like to conclude the review by thanking all employees of ZDL, who have contributed to the Group over the course of a difficult FY23 trading period.

Mark Cambridge
Chief Executive
8 January 2024

Opportunities pipeline rebuild continues

Markets

Our response

Zytronic is in an unenviable position within the PCAP touch eco-system, in that it is a complete solution provider, with the ability to readily adapt its materials and processes to provide technical solutions across the broad breadth of addressable markets, from the harshest of outdoor vending applications such as fuel dispensers to the high precision accuracy and performance requirements of medical devices, and all that goes in-between.

Performance

Our response

PCAP touch sensors, take on many forms, from using metalised oxide coatings, strands of meshed silver nanoparticles, copper foils to copper filaments, each providing differing benefits to the customer and potential end users, based on the resistivity achievable. However, sitting beyond this is the interlinking electronics that takes the manifestation of interaction with the screen and translates it on the system to movements and actions and it is Zytronic's ownership and continual development of its own ASIC's and AI algorithms, alongside its sensor manufacturing that provides it with best-in class functional performance.

Competition

Our response

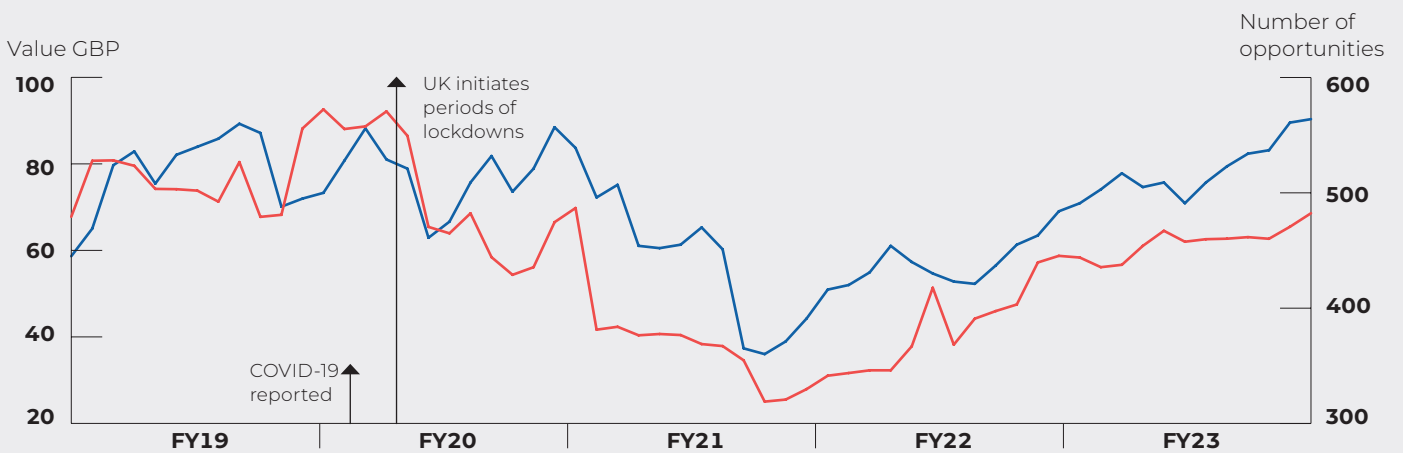
When Zytronic brought its touch sensor product to market in 2000, trademarking it as PCT™, there were relatively no other same technology competitors in the transparent space. Now with the adoption of similar technology in consumer products, PCT™ has become synonymously known as PCAP, the most globally adopted touch sensing technology ever. Competition has inevitably increased as a consequence, mostly from Asian based suppliers, however, it is Zytronic's 23 years of expertise, addressable markets branding and channel partner network, that continues to provide increasing opportunity exposure.

COVID-19

Our response

The COVID-19 pandemic had a global effect on businesses, that some benefited from, some collapsed as a consequence, whilst the majority have taken various lengths of time to recover, Zytronic falling into the latter category. Opportunity generation at Zytronic is very much dependant on face-to-face contact at a technical level at the right point in time, often referred to as a technical consultative prospecting and from the onset of the pandemic until Q1 FY23, that process was severely hampered, further compounded by the average maturation period of opportunities as they flow through the engagement process. The graph below shows the impact and the initiation of recovery as face-to-face prospecting and marketing began to resume.

End of month movement in CRM opportunities pipeline



Our market opportunities have expanded in the last 12 months.

● Value GBP millions ● Number of opportunities

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

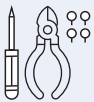


Electroglaz™

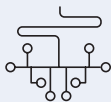
15

patents granted in total

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



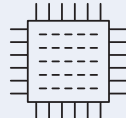
Mechanical



Electronic



Software



Firmware

In-house facilities:



ISO-approved quality and environmental systems proprietary PCT™ technology



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, Gaming, Vending, 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 are 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.

US self-service kiosk leader goes outdoors

In-store self-service kiosks are now a familiar sight within quick-service restaurants (“QSRs”) – they allow us to navigate through menus, view available offers, select from a wide range of options, and finally order and pay for our food without queueing. However, at drive thru QSRs, which can account for up to 75% of a restaurant chain’s revenue, there typically isn’t the same level of rapid, personalised, interactive information available. Spotting a gap in this market, Olea Kiosks®, a 40-year-old family-owned US kiosk designer and manufacturer, created a new range of outdoor interactive kiosks – but their challenge was to ensure the same levels of usability, durability, and reliability as their indoor counterparts.

Looking for an outdoor touchscreen that could handle the additional challenges placed upon it, Andson Pong, CTO at Olea Kiosks, led the evaluation process. “Many touchscreen manufacturers place warranty restrictions on

their products in outdoor applications, meaning that the kiosk is limited to certain environments or locations,” he said. “We wanted a universal outdoor design with no such restrictions. In addition, when placed within a metal enclosure, we needed a large projected capacitive touchscreen that is unaffected by rain and would function even when the customer has gloved hands. Zytronic’s award-winning touchscreens proved very capable in all these areas.”

Link to strategy



 Learn more zytronic.co.uk/case-studies/



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 20 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 when results have allowed us to do so. We have also given shareholders an option of further returns of capital through the share tender and share buyback programmes.



Partners

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

Innovation

Innovation continues to be a high priority for the Group with further product advancements over the year and another three patents being granted.

Re-investment and route to markets

Re-investment

From “force sensing” to “object recognition” to “hover” 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 in the development of new technology, products and processes. This is substantiated by continued development of Electroglaz™ over the year and advancements in the incorporation of mechanical devices within the active touch area of a display structure.

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 34 sales channel partnerships to sell our products around the world, 13 of which are in APAC, eleven are in EMEA, nine are in the USA and one is in the UK.

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 2023, 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 and Electroglaz™ product offerings, targeting growth application areas and expanding its global sales channel footprint. This financial year has for a number of reasons been a difficult year for the Group. The Operational and Financial review discusses this in more detail.

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 table demonstrates 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. Another key account manager was added in the year to further drive opportunities in the USA.
- ▶ 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 Director and R&D Director both play crucial roles in the development of new business relationships and project success.
- ▶ The Group has been able to be much more active in customer prospecting over the year due to the lifting of travel restraints that occurred due to COVID-19. This is reflected in the increasing number of pipeline opportunities.

Key outcomes

- ▶ Increased level of engagement with customers at a strategic level.
- ▶ A greater understanding of both customer and market trend requirements better informs the development and refinement of our own strategy.
- ▶ Board-level engagement with customers will help convey the Group's commitment to understanding and meeting their business needs.
- ▶ Listening to "the voice of the customer" enables the Group to be more effective in pre-empting and meeting their evolving needs and wants.

Why they are important

- ▶ As a bespoke and specialist manufacturer, understanding customer requirements ensures repeat business in future years and is a strength of the Group.
- ▶ Customers are the lifeblood of the business, their suggestions often drive our development activities.

What matters to them

- ▶ Receiving exceptional quality product, made exactly to their specification and delivered on time.
- ▶ The Group listens to its customers and understands exactly what they require, enabling them to bring innovative and unique products to market.

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 and employees on a variety of different matters. This is particularly critical when the Group is facing external challenges.
- ▶ 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 Group has continued this over the year.

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.

Why they are important

- ▶ The long serving and highly skilled production employees ensure that exceptional product quality can be delivered to the customers, whilst maximising production efficiencies.
- ▶ The Group's strength is in delivering the best touch solution to its customers requirements. This is provided through its people, from the initial engagement through to delivery of the product. Zytronic aims to be best in class.

What matters to them

- ▶ Good working conditions, fair pay and flexibility (where possible) ensures an engaged and happy workforce.
- ▶ Career development and progression, with training opportunities enables employees to remain engaged and loyal.
- ▶ The Group has over the year introduced and revised a number of its policies to support its employees.

Investors

How we engage

- ▶ The Chief Executive 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 and the webcast on Investor Meet Company are the primary methods of engagement with private investors along with the annual report. The Group encourages investors to attend and ask questions they may have. At the end of the meetings, the Board engages in an open and informal forum with attendees. The Group also offers investors the chance to visit its facilities outside of these formal engagement methods. This is something that is welcomed by those that have attended.
- ▶ The Non-executive Directors have also held meetings with key retail shareholders over the year.

Key outcomes

- ▶ A wide range of communication channels are used to engage with investors during the year. Feedback from investors has formed 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.
- ▶ The Group values the opportunity to meet with its shareholders and engage in an exchange of views and ideas and, post Annual General Meeting, it reviews the feedback it has received.

Why they are important

- ▶ Investor support is vital to the long-term performance and success of the Group.
- ▶ To enable future growth it is important to have a loyal shareholder base.

What matters to them

- ▶ As an AIM listed company, the shareholders expect reliable, timely and transparent information to enable them to assess their investment portfolio and their exposure in Zytronic stock.

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 the 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 the end product.

Key outcomes

- ▶ The Group's supplier base is a key part of the Group's ecosystem and effective relationships with its suppliers are essential to the delivery of Group performance.
- ▶ The Group minimises its exposure to supplier related risks by requiring them to adhere to its policies and for them to confirm they are not in conflict with these before or during engagement.

Why they are important

- ▶ The Group's external supply chains are an integral part of the business and effective engagement with the suppliers is an essential element of its ability to provide world class products.

What matters to them

- ▶ Some of the raw materials that are sourced have particularly long lead times and it is essential that the Group communicates its requirements in sufficient time for the suppliers to meet delivery dates.
- ▶ Paying suppliers on time is the key to a good working relationship.

Targeting growth application areas to create value

The Group's strategy is to progress shareholder value through the further development of its touch technology and Electroglaz™ 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 2022/2023

- ▶ We have developed full product designs for shelving and retail tables incorporating embedded wireless inductive phone charging and localised spotlight illumination in powered wireless fully transparent floating designs, utilising Electroglaz™ panels.
- ▶ We have made improvements to our touch controller data processing and Artificial Intelligence ("AI") algorithms which enable improved touch sensing functionality and the ability to interface with other PCAP sensing methodologies and materials.
- ▶ We made advancements in the incorporation of mechanical devices, such as buttons, joysticks and rotary dials, as floating elements within the visible area of a touch display structure, whilst maintaining full touch interactivity around these devices, enabling designers with the ability to realise hybrid solutions on a single entity.
- ▶ Designs and developments have been worked on for touch integrated round and square LCD monitors, and their utilisation in full interactive table design solutions.

Our priorities for 2023/2024

- ▶ We will continue the development and integration of mechanical devices with our PCAP technology.
- ▶ We will work on alternative PCAP sensing technology called Metal Mesh which once combined with our ZXY500 controllers will allow us to compete with better optical performance.
- ▶ We will continue to develop and design interactive table solutions and sample these in retail/leisure environments.
- ▶ We will scope the development of a new Application Specific Integrated Chip ("ASIC") for performance cost improvements to our electronic controllers.

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 risks associated with timing of customer projects.



Grow

We continue to seek opportunities to expand our sales channels and direct presence across the world and aim to continue to establish representation in additional countries, to assist in a return to profitability.

What we did in 2022/2023

- ▶ As the return to near normal prospecting activities occurred over the year, this enabled the Group to grow the pipeline of opportunities by 17% to 564.
- ▶ We appointed a new business development manager into the Americas region to give greater coverage to our addressable markets and to support our customer base.

Our priorities for 2023/2024

- ▶ Following the internal appointment of the new Sales Director, we will look to recruit further business development managers and sales executives to strengthen the sales department.
- ▶ With the development of Electroglaz™ completing we are looking to recruit a business development manager who has knowledge of the specific markets at which this will be targeted.

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.



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.

What we did in 2022/2023

- ▶ We commenced the development and training of the new ERP system which will bring enhancements to the business.
- ▶ We trained a further four employees in mental health first aid. This enabled us to have representation of these skills at any point in the working day.
- ▶ We implemented a new time and attendance system in the year to give greater visibility to key trends.

Our priorities for 2023/2024

- ▶ We will undertake a website refresh and deliver one combined Group site, aligned with market applications and including an investor section.
- ▶ The Group's trade PR will be refreshed to reinforce its markets and the associated applications knowledge and expertise, specifically focusing on LinkedIn and YouTube.

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.



CASE STUDY

Zytronic further invests in capital equipment to deliver future growth

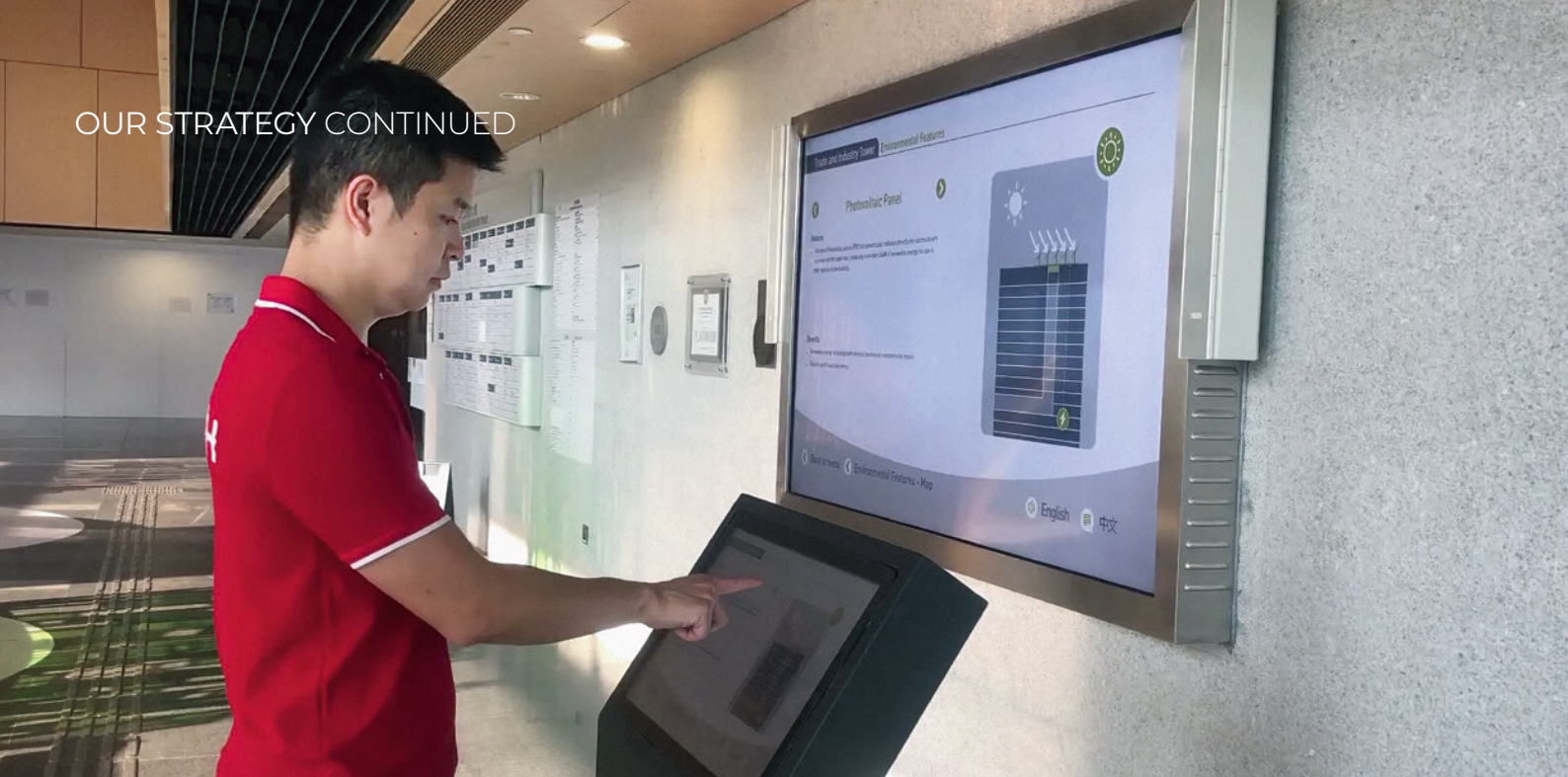
Zytronic has invested approaching £400k in a second bespoke laser soldering system installed within another factory cleanroom, providing risk mitigation and interchangeable production capabilities across the entire UK-based manufacturing operation. Industrial Vision Systems Ltd, a global supplier of precision visual inspection systems and industrial automation solutions, developed the unique automated laser welding system in collaboration with the Technical, Quality and Production teams at Zytronic.

This new automated system allows Zytronic to leverage the latest production technology, providing increased productivity, higher yields and enhanced manufacturing capability. The machine combines 2D camera vision with precision drives, and custom software to deliver precise, contactless laser welding of controller flex tails to the touch sensors. This capability increases Zytronic's ability to complete the critical soldering process on its glass and film projective capacitive ("PCAP") touch sensors, even in small quantities, irrespective of size or design in record time.

Link to strategy



Read more
zytronic.co.uk/case-studies/



CASE STUDY

Zytronic gives Taiwanese integrated display manufacturer the magic touch

At the North Apron of the Kai Tak Development Area, of Kowloon City, stands the Trade and Industry Tower "TI tower". The building accommodates several government departments, including the Trade & Industry Department, Highways Department and Census & Statistics Department, and a community hall for local citizens to organise activities.

The 22-storey, 54,000 square meter building engineered by Arup officially opened in 2015 and received a Green Building Award for its emphasis on energy conservation during construction. The design employs various renewable energy technologies, including a photovoltaic system, and several energy-saving technologies, such as a solar hot water system, solar chimney, and daylight sun tubes.

The digital signage system within the lobby of the TI Tower uses two monitors. Mounted on the wall, the main monitor is 80" in size for easy viewing. The smaller 21" monitor, mounted on a podium beneath the larger display, is touch interactive to enable visitors to browse through various interesting pieces of information related to the building, such as its design, environmentally sustainable features and awards.

Although ASPIS could have used the original digital signage system to showcase building information, concerns were raised that having a touch screen in a busy public area could contribute to spreading infectious diseases – a concern fuelled further by the COVID-19 pandemic. Techniques typically used to enable touch interactivity without physically touching the surface rely upon either infrared or optical-based hardware mounted around the perimeter of the display. The disadvantage of such systems is that the required bezel protrudes from the screen's surface and, ironically, can entrap dust and dirt, making it difficult to clean.

To overcome this, ASPIS replaced the original 21" touch sensor with Zytronic's contactless touch sensor. ZyBrid® hover technology uses proprietary firmware to boost the projected capacitive touch sensitivity to levels enabling user interactions to be detected up to 50mm from the screen's surface. In addition, no unsightly and potentially unhygienic bezels are required, so the touchscreen is easy to maintain and clean.

To minimise the possibility of accidental touches as users browsed through the information displayed, ASPIS also created special graphical user interface ("GUI") content, increasing the size of the icons, and introducing wider 'guard bands' or space around each touch active button, ensuring an optimal user experience.

"After this digital signage system upgrade, visitors now get a better understanding of the TI Tower's green construction design principles together with information regarding the renewable energy it generates and uses," says Manuel Ling, ASPIS. "Using Zytronic's innovative ZyBrid® hover contactless pcap touch sensing development, ASPIS has been able to deliver a clean, low maintenance, self-service interface that works reliably, reassures users, and helps to reduce the risk of infectious diseases spreading through regularly used surfaces."

Link to strategy



Web driver
zytronic.co.uk/case-studies/

Measuring our performance

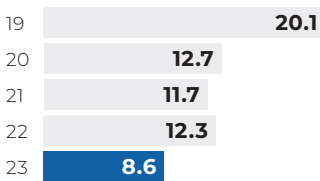
Key

-  Innovate
-  Grow
-  Invest

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

Group revenue (£m)

-30%



Link to strategy



Definition

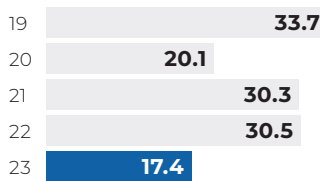
The total amount the Group earns from the sale of its products.

Our performance

The Group has experienced a decline in revenue over the period due to headwinds in the Gaming and Vending markets.

Gross profit margin (%)

-43%



Link to strategy



Definition

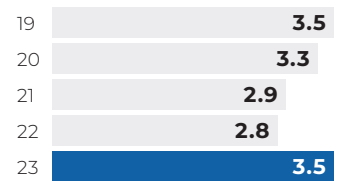
The gross amount of margin earned from the sale of the Group's products.

Our performance

Gross margin has been impacted by a number of factors over the year, being the write down of stock associated with a bad debt, the impairment of the goodwill and costs of restructuring. Unadjusted gross profit margin is 26%.

Administration expenses (£m)

+26%



Link to strategy



Definition

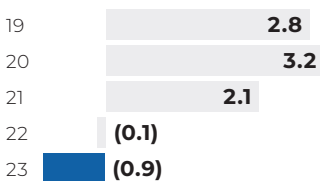
The indirect costs incurred in running the Group.

Our performance

Administration costs have increased by £0.5m of exceptional costs which accounts for 62% of the year-on-year increase. Targeted travel and marketing activities also contributed to the rise over the year.

Cash generated (£m)

-800%



Link to strategy



Definition

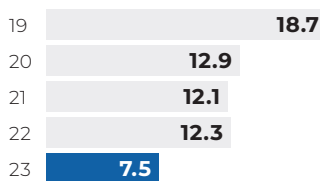
Cashflow from operating activities adjusted for non-cash items.

Our performance

Working capital has been stretched over the year with increases to both stocks and debtors.

Order intake (£m)

-39%



Link to strategy



Definition

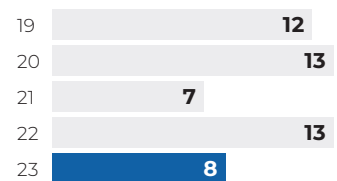
Orders received during the financial year.

Our performance

Due to headwinds described in the Gaming and Vending markets the Group experienced lower order intake over the year.

Recorded accidents

-38%



Link to strategy



Definition

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

Our performance

A reduction in accidents occurring over the year with none being reportable to RIDDOR.

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.

CASE STUDY

Zytronic expands footprint in North America with AGDisplays

Touch technology innovator Zytronic is expanding its footprint in North America with touchscreen design and integration specialist AGDisplays. The company serves a wide range of applications with a strong focus on industrial, military, medical, and marine.

Over the last 10 years, AGDisplays has grown its relationship with Zytronic from being a touch sensor supplier to a valued partner – where both companies can focus their experience and services to best serve the end customer. Together, they work directly with the customer during the development stages of a new product and can, therefore, offer the detailed service and support needed to bring a customer's vision to fruition.

Typically, AGDisplays uses Zytronic projected capacitive technology (PCT™ and MPCT™) in situations where longevity and/or ruggedisation and performance are needed. In industrial environments especially, due to stringent ball drop or impact requirements, conventional PCAP sensors will not stand up to longer-term usage. So much so that Mike Faryna, Vice President, AGDisplays says that in his 20 years of experience working in the industry he has not seen another PCAP sensor work as flawlessly when utilising thick coverglass.



Link to strategy



Learn more
zytronic.co.uk/case-studies/



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. During the year we trained a further four employees as Mental Health First Aiders which has ensured that this type of support is available within the business at any time. We have also created a work related stress risk assessment.



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.



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 98% of its waste away from landfill, with the remaining 2% being used as RDF fuel. The Group continues to engage with a local wood recycling company to repurpose its pallets and crates into sustainable products.



Apprenticeships

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

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 two apprentices to serve as a multi-skilled Maintenance Technician and a Production Technician, one of whom has completed their training with the other expected to complete in the year ahead.

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



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. We have an employee assistance service through one of our insurers that we encourage staff to utilise if they wish to talk over any matters of personal concern at any time. We also have a number of trained Mental Health First Aiders on site for immediate access to this type of support. 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 the skills and expertise already in place. We have introduced a number of employee focused policies into the business, such as flexible working, stress and mental wellbeing at work and a menopause policy, to name but a few. This is to ensure we are continuing to assess and meet the needs of our workforce.



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.

Zytronic has reduced pollution into the environment by diverting 98% of its waste away from landfill, with the remaining 2% being used as RDF fuel.

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.

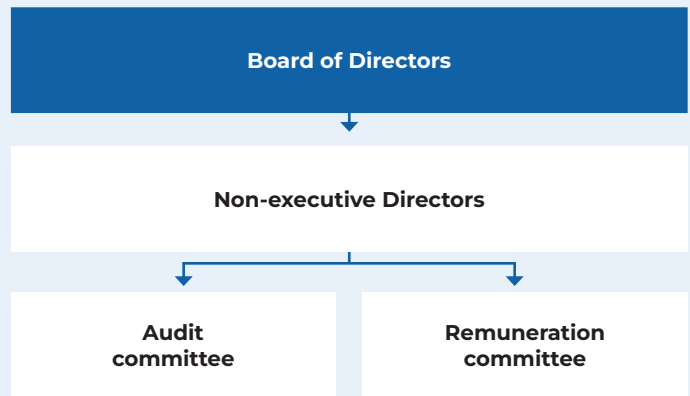
Managing our risks

The Board is ultimately responsible for the overall risk management system and internal controls applied throughout the Group. The nature of any risks are 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 risks are assessed in relation to the likelihood of occurrence and the potential impact of the risks 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.



Risks at a glance

RISKS	IMPACT AND CHANGE IN 2023
A Downward price pressures from competing technologies	↑
B Increasing costs of raw material supplies	→
C Reliance on key customers	→
D Risks associated with timing of customer projects and price reductions	↑
E COVID-19	→
F Advances in competing technologies	→
G Managing increases in the overhead base	→
H Risks associated with currency movements	→
I Cyber security risk	→

Key: → Unchanged ↑ Adverse ↓ Improved

RISK DESCRIPTION	MITIGATING ACTIONS	POTENTIAL FINANCIAL IMPACT	RISK APPETITE LEVEL	CHANGE
<p>A Downward price pressures from competing technologies</p> <p>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.</p> 	<p>Management has successfully met these challenges to date by re-designing and re-engineering the ZYTOUCH® touch sensor and 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.</p> <p>The Group also introduced the 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. These are currently the most popular controller of choice for the Group's customers.</p> <p>The Group has furthered the development of its own mixed metal oxide coating as a conductive medium solution over the year to enable it to offer an alternative to its micro-fine filament sensing system. It is currently sampling this with some key customers.</p>		1	
				<p>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.</p>
<p>B Increasing costs of raw material supplies</p> <p>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.</p> 	<p>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 also takes advantage of last time buys to source materials at lower cost whilst qualifying replacement suppliers.</p> <p>Whilst the issue over the shortage of supply of electronic components has resolved itself, the Group did incur increased costs associated with the sourcing of these.</p>		2	
				<p>Remains a high risk due to pricing pressure from suppliers.</p>
<p>C Reliance on key customers</p> <p>At present the Group gets 35% of its revenue from three key customers. The risk to the Group is the loss of one or the other of these customers with revenues not being replaced by others.</p> 	<p>The nature of the business often means that when a customer is brought into the Group it stays 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 its 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. 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.</p>		2	
				<p>This risk remains unchanged at the year end.</p>

Impact and change:

-  Unchanged
-  Adverse
-  Improved
-  Major
-  Moderate
-  Minor













Links to strategy:

-  Innovate
-  Grow
-  Invest

Appetite:

- 1** Acceptable
- 2** Review
- 3** Unacceptable

RISK MANAGEMENT CONTINUED

RISK DESCRIPTION	MITIGATING ACTIONS	POTENTIAL FINANCIAL IMPACT	RISK APPETITE LEVEL	CHANGE
D Risks associated with timing of customer projects and price reductions				
<p>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.</p> 	<p>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.</p> <p>The Group continues to be conscious that recovery for all companies may be slower than expected and remains cautious in its view on when normality will resume.</p>			 This continues to be a high risk at present as our customers' recovery in the post pandemic world continues.
E COVID-19				
<p>For many companies COVID-19 is possibly a long distant memory, however the inability of the Group to prospect meaningfully during that time continued to impact on the Group's ability to convert its opportunities over the year.</p> 	<p>Travel restrictions eased and Expos returned to normal over FY23 allowing the Group to prospect with more new and existing customers and showcase its product developments to wider audiences. This is evidenced by the increasing number of opportunities in the project log at the end of this year compared to last year. However, the Group is still experiencing a lag in its conversion of opportunities as a result of the pandemic.</p>			 This continues to be less of a risk for the Group now.
F Advances in competing technologies				
<p>A risk to the Group's business is that of advances in competing technology, whereby a new, better touch sensor technology is created.</p> 	<p>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. During the year the Group has initiated its work on a metal mesh product solution to allow it to offer a 'wire-free' touch sensor, making it more competitive in the overall touch ecosystem.</p> <p>The Group has also had three further patents granted being the total to 15.</p>			 The Group is always looking to develop its product offerings and to protect itself from its competition through its internally generated intellectual property. This risk remains unchanged from the previous year.




Impact and change:




-  Unchanged
-  Major
-  Adverse
-  Moderate
-  Improved
-  Minor

Links to strategy:

-  Innovate
-  Grow
-  Invest

Appetite:

-  Acceptable
-  Review
-  Unacceptable

RISK DESCRIPTION	MITIGATING ACTIONS	POTENTIAL FINANCIAL IMPACT	RISK APPETITE LEVEL	CHANGE
G Managing increases in the overhead base				
<p>Inflation in the UK, as measured by the Consumer Price Index ("CPI") peaked over the year. This could create a problem for the Group where suppliers pass on these costs to their customers. Wage inflation, increased energy costs and the provision of services could have a direct impact on the Group's underlying cost base and profitability.</p>	<p>The Group can control some of these factors; for example, it has ensured it has mitigated against the increased utility costs due the "purchase ahead" strategy it has in place which proved very successful over the year. However, there are costs, such as increases in travel costs and wage inflation, that it will have to continue to bear as it is critical that key personnel are able to attend customer visits. The Group constantly monitors all of these costs against its sales pricing models to try to mitigate margin erosion.</p>		1	 This risk is unchanged from the previous year.
H Risks associated with currency movements				
<p>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.</p>	<p>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.</p>		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.
I Cyber security risk				
<p>The risk to the Group is that of unauthorised access to or external disclosure of Group information, including those caused by "cyber attacks".</p>	<p>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. Controls in this area continue to be advanced upon as and when new sensing methodologies are developed. The Group takes this kind of threat very seriously.</p>		2	 No change to the risk but management continues to take appropriate action to minimise any potential threat.

Impact and change:

-  Unchanged
-  Major
-  Adverse
-  Moderate
-  Improved
-  Minor

Links to strategy:

-  Innovate
-  Grow
-  Invest

Appetite:

- 1** Acceptable
- 2** Review
- 3** Unacceptable

Cash remains strong

Statutory results

The FY23 results for the year report Group revenue of £8.6m (2022: £12.3m), as a result of a difficult year of trading due to a number of factors. Reported gross margin at 17.4% (2022: 30.5%) and increased administration expenses at £3.5m (2022: £2.8m) both include exceptional items in the year. The statutory reported loss before tax is £2.0m (2022: profit of £0.7m).

Group revenue

Group revenue was down 30% year on year to £8.6m (2022: £12.3m) and has been impacted by several situations, with the biggest effect being the unexpected demise of a key end-customer in the first half of the year in the Gaming market. The circumstances surrounding this are explained in the earlier CEO's statement, but following this situation, the Group made no further sales of this product over the remainder of the year.

Revenues from the Vending market were also negatively impacted as one of the Group's Vending customers undertook an overstocking exercise in the previous financial year due to fears of electronic component shortages at that time, and this subsequently impacted its demand in FY23.

The split of touch sales to non-touch sales remained consistent with the prior year at 88% (2022: 89%), despite a reduction in overall volumes sold. Sales into Europe (excluding UK) of 39% of total sales (2022: 30%) meant that the region continued to be the Group's biggest geographical source of revenue, with total exports across all products accounting for 92% (2022: 95%) of total revenue. Three major customers exceeded 10% of total revenue for the year at £3.0m (2022: £4.1m).

Gross margin

Gross margin suffered over the year and decreased to 24.5% excluding exceptional costs (2022: 30.5%) and 17.4% including exceptional costs (2022: 30.5%). A number of headwinds and business decisions impacted gross margin in FY23, as explained below.

Exceptional costs for the year were £0.6m (2022: Nil) with over £0.2m of these costs being the value of the inventory write-down of finished goods and work-in-progress orders that occurred in the first half of the year relating to the Gaming market Chapter 11 event. This work ceased overnight with no likelihood of recovery at the time. As these parts are specific in design to that particular end customer (as is normal in the nature of the Groups' business) they could therefore not be sold to anyone else. This situation remained unchanged at the year end and the Group assessed the carrying value of the inventory at that time. However, post the year end, and following the sale of the related business assets to Aruze Gaming Global, the Group has subsequently made sales of some of this inventory in the new financial year, to new supply chain entities.

The Group also undertook the decision to impair its goodwill of just over £0.2m which related to the operations of Intasolve Limited (a long-dormant subsidiary). This subsidiary had been acquired in 2001 to help establish the Group's position in the touch marketplace but with continued technology advancements in its PCAP solutions, the incorporated older technology is no longer a fit. This cost has been classified as exceptional.

Over the course of the year, as the Group foresaw a reduction in productive workload, it made the decision to reduce the operational working week and to enable the retention of key skilled operatives, ran its own in-house furlough scheme, paying up to 70% of normal basic pay for non-worked time for those operatives that were affected. However, as the year ran on it became apparent that a permanent reduction in direct labour numbers was required. In September 2023, the Group entered into a redundancy process and made 14 employees redundant prior to the year end, with ten of those leaving under voluntary acceptance. The cost of this exercise to the business was over £0.1m and is classified as exceptional due to it being an infrequent occurrence.



The Group maximised its deposits over different periods of time and obtained very good market interest rates, whilst continuing to meet the daily cashflow demands on the business.



The volume of larger format products sold over the year, most of which are into the Gaming market and were therefore impacted by the AGA situation, reduced by 47% to 7k units. As these larger format products attract higher margins, then this had an impact on gross margin over the period.

Raw material pricing continued to increase in some areas, particularly in the semiconductor market, as the shortages of supply remained into FY23 and thereby also negatively impacted margin as the Group was unable to pass on cost increases in some instances.

Loss before tax

The loss before tax for the year was £2.0m compared to a profit of £0.7m in the previous year. Administration costs increased by £0.7m over the period, with almost £0.5m of this increase being exceptional costs relating to an impairment of debtors and restructuring costs.

The revalued impairment of debtors at the balance sheet date of over £0.3m relates to the ongoing issue with AGA. APMI owed the Group over £0.2m and its sub tier supplier owed the Group over £0.1m and uncertainty remained over the recoverability of these balances. However, since the year end the Group has received payment of part of its debt from the sub tier supplier and is hopeful that this will now be repaid in full. The Group is continuing to take steps to recover the balance owed from APMI.

The other exceptional costs of over £0.1m relate to internal restructuring costs over the year which are not expected to be repeated.

Travel and marketing costs also continued to rise over that of the previous financial year as the Group continued its focus on its necessary face-to-face prospecting to enable it to grow its opportunities log and showcase its new product developments over several key market and geographical areas.

The investment in the trading company ZDL, by the Parent company that arose as part of the initial IPO of the Group back in 2000 and totalled £9.7m at the previous year end was also impaired over the year by £4.2m. This was a Parent company impairment only and had no impact on the reported Group numbers.

Tax

The tax credit arising on the loss before tax totals £0.4m (2022: charge of £0.1m). The Group is proposing to carry forward the trading losses to offset against taxable profits in the future at this higher rate of UK corporation tax, which was made effective from 1 April 2023.

Loss per share

The shares in issue at the end of the year remained consistent with those at the end of the previous year of 10,161,737. As the Group has not made a profit for the year and reports a loss after tax of £1.6m, the loss per share arising is 15.4p (2022: earnings per share 5.6p).

Dividend

As a result of a difficult trading year and the Group not making a profit, the Board has proposed it is in the best interests not to pay a final dividend for the year (2022: 2.2p) despite there being sufficient cash and reserves to do so. This is in line with its previously disclosed position of not paying dividends other than from profits generated in that year.

Capital expenditure

The Group further invested into capital expenditure over the year with £0.5m being incurred in intangible assets as R&D development continued into further product offerings and the Group continued its work on the implementation of a new ERP system. In continuing to protect the Group's IP, further patent applications were made in FY23. The Group also spent £0.3m on tangible fixed assets, £0.1m of this spend was incurred in completing the installation of the second laser bonding machine, enabling both of ZDL's cleanroom units to have this piece of essential kit. The remainder of the spend was on the replacement of a number of production items. Depreciation and amortisation increased in FY23 to £1.0m (2022: £0.8m), with £0.2m being related to the previously mentioned impairment of Goodwill.

Cash position

Cash at the beginning of the year was £6.4m and closed at £4.7m, resulting mainly from the operational loss made by the Group over the year. Working capital, decreased over the period by £0.5m arising from the decrease in debtors, offsetting the increase to inventories and the decrease to payables and other provisions.

The increase in inventories was all in raw materials as a result of having to purchase ahead for orders that did not arise (the reduction in sales to the Gaming market is one of the biggest drivers of the increase and also the increase in controllers stock for which the order lead time was increased as the suppliers were previously struggling to satisfy demand). The Group was also issued with a last-time buy from one of its optical adhesive suppliers, which was at a preferred price, but had to be received in the year.

The decrease to debtors of £1.7m arises due to a couple of factors. The FY22 closing position was inflated by £0.4m due to a late paying debtor, who subsequently settled its debt in early FY23. The reduction in sales during FY23 also means there is less debt to be collected at the year end. The £0.3m of cash uncollected from the Gaming customers was offset by a provision for the same amount in the year.

Trade payables at the year-end of £0.5m are lower than that reported in the previous year, impacting the cash position, with accruals remaining consistent with that of last year at £0.6m.

Cashflow used in investing activities was net £0.6m (2022: £0.5m), £0.8m related to costs of investment in capital expenditure offsetting the interest earned from cash deposits of £0.2m. The Group maximised its deposits over different periods of time and obtained very good market interest rates, whilst continuing to meet the daily cashflow demands on the business.

The only financing activities to occur over the year related to the payment of a dividend for the financial year 2022 and costing £0.2m (2022: £0.2m).

The Group has recently increased its overdraft facility to £1.5m with its corporate bankers Barclays Bank plc, which is available for use in any of its three operational currencies (GBP, USD and EUR) and has again not been utilised over the year.

The Group continues to operate with no debt and has strong cash levels allowing it to remain in a solid financial position for the year ahead.

Claire Smith
Group Finance Director
8 January 2024

About our leadership team

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



Dr Chris Potts
Independent Non-executive Chair

Experience and skills

Chris joined the Board on 1st August 2023, bringing over 20 years of CEO and Chair experience of international technology businesses. He is presently Chair of Guralp Systems Ltd, a world leading seismic event monitoring instrumentation company whose global reach and focus is similar to Zytronic, and of proSapient Ltd, an international services business that utilises AI to support strategic decision making. Chris's experience includes leading privately owned firms, private equity backed businesses and divisions of listed public companies, and he has led several large international corporate transactions.



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 and 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 trading 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.



Mark Butcher
Independent Non-executive Director

Experience and skills

Mark is Chair of the audit and remuneration committees of the Board and has been a Director of the Company since March 2022. Mark has over 20 years' experience in the City where he was an Executive Director of GPG (UK) Holdings plc, which was the UK investment arm of Guinness Peat Group plc. In addition to investment management, he has wide experience in international accounting, corporate finance and banking transactions. He has sat as a Non-executive Director on the boards of a number of public and private companies and is currently a Non-executive Director of Redde Northgate plc, where he is Chair of the audit committee. He has recently retired as a Non-executive Director of AssetCo plc and National Milk Records plc. Mark graduated with a Bachelor of Commerce degree from the University of Cape Town and qualified as a Chartered Accountant in South Africa.



John Walter
Non-independent Non-executive Director

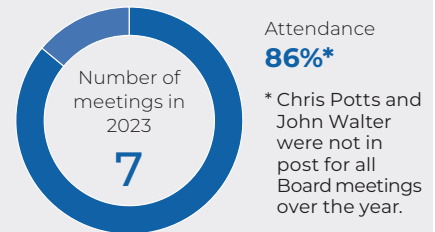
Experience and skills

John was appointed as a Non-independent Non-executive Director to assist in the recruitment of further Independent Non-executive Directors and to improve the balance of Board independence in recognition of the QCA Code during that time. John's appointment came to an end following the release of the preliminary results. John is a former investment banker and wealth manager with over 25 years' investment experience in the public markets, having worked at both NatWest Markets and Chase Manhattan Bank before setting up Metis Asset Management.

Board composition

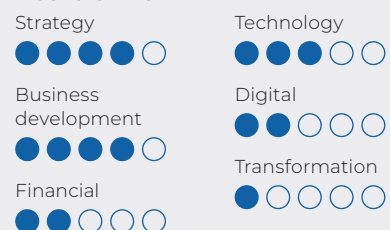


Board meetings



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

Board skills



Key
 (A) Member of audit committee
 (R) Member of remuneration committee
 (N) Member of nomination committee
 ● Committee Chair

Continuing to evolve

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.

Chris Potts

Non-executive Chair

This Corporate governance statement, together with the information provided below and in the Audit and Nomination committee reports, explain 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, Chris Potts, the Non-executive Chair, Mark Cambridge, the Chief Executive, Claire Smith, the Group Finance Director, Mark Butcher, the Independent Non-executive Director, and John Walter, the Non-independent Non-executive Director, were members of the Board.

The Chair and the Non-executive Directors demonstrate a range of experience and sufficient calibre to bring independent (and non-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 seven 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 Chair, the Chief Executive, the Group Finance Director and the Non-executive Directors.

Role	Responsibilities
Chair	<ul style="list-style-type: none"> ▶ 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.
Chief Executive	<ul style="list-style-type: none"> ▶ day-to-day management of the Group's business and implementation of the Board-approved strategy; ▶ acting as Chair 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.
Finance Director	<ul style="list-style-type: none"> ▶ providing strategic and financial guidance to ensure the Group's financial commitments are met; and ▶ developing all necessary policies and procedures to ensure the sound financial management and control of the Group's business.
Non-executive Directors	<ul style="list-style-type: none"> ▶ 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.
Company Secretary	<ul style="list-style-type: none"> ▶ 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 Directors, 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 Chair and the Non-executive Directors have a particular responsibility to ensure that the strategies proposed 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 Chair 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 Chair 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, the audit committee and the nomination committee (which was formed in the year), each of which operates within defined terms of reference. 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 are disclosed on page 32.

Nomination committee

➤ The Nomination report and information are disclosed on page 33.

Remuneration committee

➤ The Remuneration report and information are disclosed on pages 34 and 35.

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. In addition to this, the Board has engaged with Investor Meet Company, an online presentation portal to allow it to communicate the results to a wider audience. The Chair aims to ensure that the Chair of the audit, remuneration and nominations committees is available at the Annual General Meeting to answer questions.

Details of resolutions to be proposed at the Annual General Meeting on 29 February 2024 can be found in the Notice of Annual General Meeting on pages 68 and 69.

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

Internal control

The Board is responsible for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. As an AIM-listed company, the Group has adopted the QCA Code and follows its guidance. The Group will either comply or explain on the governance rules as set by the QCA. The Directors set out 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 nomination committee.

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 operations, R&D, HR and health and safety 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 Chair 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 18 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.

Board effectiveness

Following the appointment of the new Chair the Board is looking to implement a formal Board effectiveness process. 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.

2023 key shareholder engagements



January

- ▶ Notice of AGM
- ▶ RNS



February

- ▶ Trading update
- ▶ RNS
- ▶ AGM
- ▶ RNS
- ▶ Board changes
- ▶ RNS



May

- ▶ Trading update
- ▶ RNS
- ▶ Interim results
- ▶ Meetings/RNS/webcast



August

- ▶ Board changes
- ▶ RNS



December

- ▶ Notice of publication of results and trading update
- ▶ RNS



January 2024

- ▶ Preliminary results
- ▶ Meetings/RNS/Webcast

Ensuring the integrity of information reported

The audit committee currently comprises the Independent Non-executive Director, Mark Butcher (Chair), and Chris Potts, the Non-executive Chair. The Board considers that Mark has the balance of skills and experience required to discharge his duties effectively. The Board is collectively responsible for the approval of the accounts.

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 Chair 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 every year, to review the audit planning document and to review the annual financial statements, and has direct access to Crowe U.K. 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 Chair or the Group Finance Director.

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

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) 240 there is a 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) 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. In accordance with professional guidelines, the engagement partner is rotated after five years at most and the current partner is in their third year of engagement. In assessing the auditor's effectiveness, the committee:

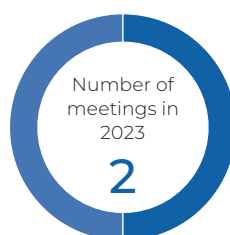
- ▶ challenged the work undertaken by the auditor to test management's assumptions and estimates in the key risk areas;
- ▶ reviewed reports received from the auditor on these and other matters; and
- ▶ received and considered feedback from management.

In addition, the Chair 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 2023 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.

Audit committee meetings



Attendance
50%*

* Chris Potts was appointed after the meetings were held.

Appointment of new Chair during the year

The members of the nomination committee are Chris Potts, the Non-executive Chair, and Mark Butcher, the Independent Non-executive Director. The committee was formed in the year following some Board changes and its role and responsibilities are set out in full in the terms of reference, which are available on the Zytronic plc website in the following location www.zytronicplc.com/corporate-governance. The committee's key responsibilities are as follows:

- ▶ ensure the balance of Board members remains appropriate as the Group implements its strategy to enable the business to compete effectively in the marketplace;
- ▶ identify and nominate candidates to fill Board vacancies as and when they arise;
- ▶ before such appointments are made, evaluate the overall balance and composition of the Board and in light of that evaluation, prepare a description of the roles and capabilities required for the appointment; and
- ▶ ensure that each new appointee receives a formal and customised induction to the Group via the Company Secretary and other Board members as appropriate.

Following its inception during the year, the committee focused its attention on recruiting a new Company Chair with the requisite qualities to lead the Board and the wider management team. To facilitate this recruitment, the committee utilised the services of external advisers in its search and considered candidates on suitability against objective criteria.

When a new Director joins the Board a full and formal induction process is undertaken including a briefing session on AIM rules with our NOMAD. Over the year, the whole Board participated in this briefing. The Company Secretary provides any new Director with the following documents:

- ▶ information about the Group including Board and committee minutes;
- ▶ the Group's policies, procedures and governance information;
- ▶ analysis of the Company's key shareholders;
- ▶ guidance for Directors on their legal and regulatory responsibilities in an AIM-quoted company; and
- ▶ guidance on corporate governance and Board effectiveness.

As part of the induction process, the new Director also:

- ▶ attends business briefings with the CEO and Group FD;
- ▶ has meetings with the other members of the senior leadership team; and
- ▶ attends meetings with any other employees they would like to see.

The committee recognises the importance of a diverse Board and is mindful of this issue in its succession planning discussions. Going forward the committee will be focusing its attention on Board evaluation to ensure performance and effectiveness are in line with the Group's needs.

Aligning of executive management and shareholder interest

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, Mark Butcher, as its Chair and Chris Potts, the Non-executive Chair of the Group. 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 Non-executive Directors 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 35.

Annual bonus

For the financial year 2023 there was no bonus payable. The remuneration committee believes that this is a reasonable situation given the financial performance of the Group.

The remuneration committee 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 2023 are shown in the table overleaf.

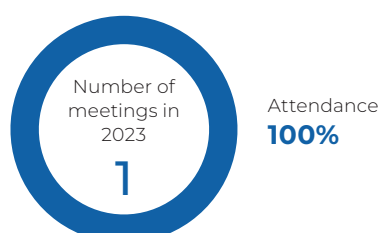
Pension contributions (audited)

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	2023 £'000	2022 £'000
Mark Cambridge	14	14
Claire Smith	7	8
Total	21	22

Remuneration committee meetings



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 2023		30 September 2022	
	Number	%	Number	%
John Walter	512,000	5.04	n/a	n/a
Mark Cambridge	92,458	0.91	92,458	0.91
Claire Smith	42,381	0.42	42,381	0.42
Chris Potts	—	—	n/a	n/a
Mark Butcher	—	—	—	—

There has been no change in Directors' shareholdings since 30 September 2023.

Directors' emoluments for the year ended 30 September 2023 (audited)

	Salary £'000	Fees £'000	Benefits £'000	Total emoluments* 2023 £'000	Total emoluments* 2022 £'000
Non-executive Chair					
Tudor Davies**	—	—	—	—	35
Chris Potts***	—	11	—	11	—
Executive					
Mark Cambridge	168	—	3	171	163
Claire Smith	102	—	1	103	98
Non-executive					
Mark Butcher****	—	31	—	31	18
John Walter*****	—	16	—	16	—
David Buffham*****	—	17	—	17	44
	270	75	4	349	358

* Excluding pension contributions.

** Tudor Davies retired from the Board on 3 March 2022.

*** Chris Potts was appointed to the Board on 1 August 2023.

**** Mark Butcher was appointed to the Board on 4 March 2022.

***** John Walter was appointed to the Board on 9 February 2023.

***** David Buffham resigned from the Board on 31 October 2022.

Share price during the year

During the year to 30 September 2023, the highest share price was 155.0p and the lowest share price was 74.0p. The market price of the shares at 30 September 2023 was 87.5p.

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.

DIRECTORS' REPORT

The Directors present their annual report and financial statements for the year ended 30 September 2023.

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

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.

Zytronic is also the developer of Electroglaz™ technology, which is a bespoke lamination of non-conductive and conductive transparent glass. The arrangement allows power to be transferred across two or more individual layers within the laminate and tapped/extracted at the required locations to power multiple low power (<50V) devices. The delivery of this energy is wire/cable free and invisible to the user.

Likely future development

Our priorities for 2023/2024 are disclosed in the Strategic report on pages 16 and 17.

The Group will continue with its strategy of organic growth by enabling the R&D department to enhance on the current range of products and technologies to enable diversification further into its addressable market areas. In order to assist this future growth the Group is seeking to appoint further business development managers and has initiated a website refresh and a PR review to better target its key markets and customers.

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 2023 and the overall net funds position.

No changes were made to these objectives, policies or processes during the years ended 30 September 2022 and 2023.

Research and development

The R&D department has continued to develop over the year, which has resulted in another three patents being granted and a number of product developments being looked at.

Further details on the Group's R&D activities are included in the Operational review.

Results and dividends

The consolidated statement of comprehensive income is set out on page 41. The Group loss after tax amounted to £1.6m (2022: profit after tax of £0.6m). The Directors do not propose the payment of a final dividend. This will bring the total dividend for the year to 0.0p per share (2022: 2.2p).

Directors

The Directors of the Company are shown on page 28. Any Board changes during the year are referenced in the Remuneration report. David Buffham resigned from the Board on 31 October 2022, John Walter was appointed to the Board on 9 February 2023 and Chris Potts was appointed to the Board on 1 August 2023. 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 financial statements in accordance with UK-adopted International Accounting Standards. The Parent Company financial statements are prepared in accordance with FRS 101 Reduced Disclosure Framework.

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 (under FRS 101 the Parent Company is not required to report a statement of cashflows);
- ▶ 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, in accordance with UK-adopted International Accounting Standards (the Parent Company reports under FRS 101), 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, in accordance with UK-adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements (the Parent Company reports under FRS 101).

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 29 February 2024 at 1.00 pm. 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 re-appoint Crowe U.K. 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
8 January 2024

Registration number

03881244

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZYTRONIC PLC

Opinion

We have audited the financial statements of Zytronic plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 30 September 2023, which comprise:

- ▶ the Group statement of comprehensive income for the year ended 30 September 2023;
- ▶ the Group and Parent Company statements of changes in equity for the year ended 30 September 2023;
- ▶ the Group and Parent Company statements of financial position as at 30 September 2023;
- ▶ the Group statement of cash flows for the year ended; and
- ▶ the notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the Parent Company's financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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 2023 and of the Group's loss for the period then ended;
- ▶ the Group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- ▶ the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment on the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- ▶ reviewing the cash flow model provided by management and challenging the assumptions made;
- ▶ reviewing management's forecasts which show continued growth in both revenue and profitability. Our assessment therefore considered if this will be feasible in light of recent performance and economic conditions;
- ▶ checking the numerical accuracy of the forecast model;
- ▶ assessing past budgeting to help determine management's budgeting ability, as well as the November 2023 management accounts compared to forecast; and
- ▶ considering the cash position of the business as reported in the November 2023 management accounts and whether this is sufficient to meet the cash flow requirements for at least the next twelve months.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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 £85,000, based on 1% of turnover. The Parent Company materiality was determined as £18,000 based on 7% of profit before taxation.

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 and is approximately £60,000 for the Group and £13,000 for the Parent entity.

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 £4,250. Errors below the 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 on site in person at the main operating location in the UK, including attendance at stocktake and a visit 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 there, 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
<p>Revenue recognition</p> <p>Revenue is recognised in accordance with the accounting policy set out in the financial statements. Revenue is the key driver of the business and is used as an important benchmark by shareholders. We considered there to be a significant risk in respect of overstatement as this is the area considered to be most susceptible to management bias.</p>	<p>Our audit procedures consisted of:</p> <ul style="list-style-type: none"> ▶ Assessing the design effectiveness and implementation of the relevant controls in place associated with revenue recognition. ▶ Validating that revenue is recognised in accordance with the accounting policies through testing an appropriate sample of revenue transactions to proof of delivery and cash receipts, as well as testing the cut off and checking post year end receipt. ▶ Assessing the appropriateness of the related disclosures in the financial statements, please refer to note 2 for further information.
<p>Capitalisation of development costs</p> <p>Development costs are capitalised for both on-going and new projects and include subcontract costs and internal labour costs. There is a risk that the carrying value of development costs may be incorrectly capitalised.</p> <p>The new ERP system continued to be introduced and developed in the year and as such development costs have been capitalised. There is a risk that the cost of the ERP system may be incorrectly capitalised.</p>	<ul style="list-style-type: none"> ▶ 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 the development of the new ERP system. We have been agreeing external costs to supporting invoices, whilst making sure they meet the criteria of capitalisation. ▶ We have also reviewed supporting payroll records to assess whether capitalised payroll costs meet the requirements for recognition as an asset. We have corroborated control over identifiable projects, revenue derived from current projects and expected future revenues from new projects developed during the year, to assess if they have been correctly recognised. please refer to note 10 in the accounts.
<p>Impairment of investment</p> <p>The impairment of the carrying value of the investment held by the Company in the subsidiary Zytronic Displays Limited was considered a Key Audit Matter because of the recent results of that business and the matter is considered highly judgemental.</p>	<ul style="list-style-type: none"> ▶ We scrutinised and challenged the value in use calculations and the key assumptions therein being growth in revenue of the cash generating unit, margins and the cost of capital applied which drive the value of the investment. We have compared the projected activity and cash flows to historical performance including sales conversion rates and compared the cost of capital used to external data. Please refer to note 5 in the Parent Company accounts.

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 contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken during 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 strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF ZYTRONIC PLC

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 page 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 the 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the Group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were relevant company law and taxation legislation in the UK being the principal jurisdiction in which the Group operates.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases in particular where significant judgements are involved.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organised schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

A further description of our responsibilities is available 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 opinion 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, West Midlands B69 2DG

8 January 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Notes	2023 £'000	2022 £'000
Group revenue	2	8,610	12,340
Cost of sales		(7,109)	(8,577)
Cost of sales excluding exceptional items		(6,500)	(8,577)
Exceptional items - Goodwill impairment		(235)	—
Exceptional items - Other	3(a)	(374)	—
Gross profit		1,501	3,763
Distribution costs		(159)	(258)
Administration expenses		(3,547)	(2,810)
Administration expenses excluding exceptional items		(3,092)	(2,810)
Exceptional items	3(b)	(455)	—
Group operating (loss)/profit	4	(2,205)	695
Finance revenue	6	200	10
(Loss)/profit before tax		(2,005)	705
Tax credit/(expense)	7	441	(94)
(Loss)/profit for the year		(1,564)	611
Other comprehensive income		—	—
Total comprehensive (loss)/income		(1,564)	611
(Loss)/earnings per share			
Basic	9	(15.4)p	5.6p

All activities are from continuing operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Equity share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2021	114	8,994	46	7,611	16,765
Profit for the year	—	—	—	611	611
Repurchase and cancellation of shares	(12)	—	12	(2,019)	(2,019)
Dividends	—	—	—	(170)	(170)
At 1 October 2022	102	8,994	58	6,033	15,187
Loss for the year	—	—	—	(1,564)	(1,564)
Dividends	—	—	—	(224)	(224)
At 30 September 2023	102	8,994	58	4,245	13,399

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2023

	Notes	2023 £'000	2022 £'000
Assets			
Non-current assets			
Intangible assets	10	840	711
Property, plant and equipment	11	4,958	5,107
		5,798	5,818
Current assets			
Inventories	12	2,711	2,184
Trade and other receivables	13	1,252	2,957
Cash and short-term deposits	14	4,706	6,403
		8,669	11,544
Total assets		14,467	17,362
Equity and liabilities			
Current liabilities			
Trade and other payables	15	488	1,055
Derivative financial liabilities	16	—	92
Accruals	15	554	560
		1,042	1,707
Non-current liabilities			
Deferred tax liabilities (net)	17	26	468
		26	468
Total liabilities		1,068	2,175
Net assets		13,399	15,187
Capital and reserves			
Equity share capital	19	102	102
Share premium	19	8,994	8,994
Capital redemption reserve	19	58	58
Retained earnings		4,245	6,033
Total equity		13,399	15,187

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

Mark Cambridge
Chief Executive
8 January 2024

Claire Smith
Group Finance Director

Zytronic Group plc: Registered number 03881244

CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Notes	2023 £'000	2022 £'000
Operating activities			
(Loss)/profit before tax		(2,005)	705
Finance income		(200)	(10)
Depreciation of property, plant and equipment		445	543
Amortisation and write-off of intangible assets		140	223
Impairment of goodwill		235	—
Amortisation of government grant		—	(26)
Fair value movement on foreign exchange forward contracts		(92)	76
Loss on disposal of asset		—	2
Working capital adjustments			
Increase in inventories		(527)	(749)
Decrease/(increase) in trade and other receivables		1,705	(757)
(Decrease)/increase in trade and other payables and provisions		(723)	126
Cash (used in)/ generated from operations		(1,022)	133
Tax received/(paid)		137	(224)
Net cashflow used in operating activities		(885)	(91)
Investing activities			
Interest received		189	7
Payments to acquire property, plant and equipment		(296)	(280)
Payments to acquire intangible assets		(481)	(201)
Net cashflow used in investing activities		(588)	(474)
Financing activities			
Dividends paid to equity shareholders of the Parent		(224)	(170)
Repurchase and cancellation of shares		—	(2,019)
Net cashflow used in financing activities		(224)	(2,189)
Decrease in cash and cash equivalents		(1,697)	(2,754)
Cash and cash equivalents at the beginning of the year	14	6,403	9,157
Cash and cash equivalents at the year end	14	4,706	6,403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

1. Accounting policies

(a) Authorisation of financial statements and statements of compliance

The financial statements of Zytronic plc and its subsidiaries (the "Group") for the year ended 30 September 2023 were authorised for issue by the Board of Directors on 8 January 2024 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, Tyne and Wear NE21 5NJ.

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards. 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

There are no new accounting standards adopted in the year that have a material impact on the financial statements.

There are no new accounting standards effective in the next financial year or future reporting periods that are expected to have a material impact on the financial statements.

(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 continuing current climate in relation to rising costs such as wage inflation, raw material price increases and increasing overheads, 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.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2023

1. Accounting policies continued

(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.

(h) Property, plant and equipment

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

Freehold land	–	nil
Freehold property	–	50 years
Long leasehold property	–	30–50 years
Plant and machinery	–	varying rates between 5% and 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.

1. Accounting policies continued

(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.

(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.

Financial liabilities

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, to hedge its foreign currency risks. 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) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2023

1. Accounting policies continued

(p) 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.

(q) 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.

(r) 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.

(s) 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, 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, stated net of value-added tax, rebates and discounts.

For management purposes, the Chief Operating Decision Maker (the Board) 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 2023		30 September 2022	
	Touch £'000	Non-touch £'000	Touch £'000	Non-touch £'000
Sale of goods				
– Americas (excluding USA)	207	—	322	15
– USA	962	251	2,015	191
– EMEA (excluding UK and Hungary)	2,468	114	3,153	58
– Hungary	660	124	251	187
– UK	342	373	339	314
– APAC (excluding South Korea)	496	74	283	254
– South Korea	2,483	56	4,586	372
	7,618	992	10,949	1,391
Total revenue	8,610		12,340	

Individual revenues from three major customers exceeded 10% of total revenue for the year. The total amount of revenue was £3.0m (2022: £4.1m).

The individual revenues from each of these three customers were: £1.0m (2022: £1.7m), £1.0m (2022: £0.8m) and £1.0m (2022: £2.4m). Included on page 3 is the disaggregation of revenue by market type.

3 (a). Exceptional costs – cost of sales

	30 September 2023 £'000	30 September 2022 £'000
Write-down of stock impairment associated with doubtful debt	239	—
Costs of goodwill impairment	235	—
Costs of restructuring	135	—
Total exceptional costs	609	—

The write-down of stock in the consolidated statement of comprehensive income relates to the effects on the Group of AGA filing a voluntary petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the State of Nevada.

The goodwill impairment costs of write-down relate to the operations of Intasolve Limited, as described in note 10.

The Group undertook a restructuring exercise in the year and these costs are classed as exceptional as this was a one-off event.

3 (b). Exceptional costs – administration costs

	30 September 2023 £'000	30 September 2022 £'000
Write-down of doubtful debt	332	—
Costs of restructuring	123	—
Total exceptional costs	455	—

The write-down of debt in the consolidated statement of comprehensive income relates to the effects on the Group of AGA filing a voluntary petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the State of Nevada.

The Group undertook a restructuring exercise in the year and these costs are classed as exceptional as this was a one-off event.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2023

4. Group operating (loss)/profit

This is stated after charging/(crediting):

	30 September 2023 £'000	30 September 2022 £'000
R&D costs	426	387
Amortisation of development expenditure	107	196
	533	583
Auditor's remuneration – in respect of audit services*	71	57
Depreciation of owned assets	445	543
Amortisation and write-off of licences	30	32
Cost of inventories recognised as an expense including:	2,999	4,019
– the net movement in the stock provision	(44)	(44)
Amortisation of capital grants	—	(26)
Net foreign currency contract differences	11	75

* £20,000 of this relates to the Company (2022: £16,000).

5. Staff costs and Directors' emoluments

	30 September 2023 £'000	30 September 2022 £'000
Wages and salaries	4,019	3,982
Social security costs	363	351
Other pension costs	265	162
	4,647	4,495

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

The total of Directors' emoluments is £349,000 (2022: £358,000). The aggregate value of contributions paid to money purchase pension schemes includes £21,000 (2022: £22,000) in respect of two Directors (2022: two).

Amounts paid to the highest paid Director are £171,000 (2022: £163,000) plus a contribution paid to the money purchase pension scheme of £14,000 (2022: £14,000).

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

	30 September 2023 Number	30 September 2022 Number
Production	83	91
Administration and sales	32	30
	115	121

The detailed disclosures for Director remuneration, including the AIM requirements, are given in the Remuneration report.

6. Finance revenue receivable

Finance revenue

	30 September 2023 £'000	30 September 2022 £'000
Interest receivable		
Bank interest receivable	200	10

7. Tax

	30 September 2023 £'000	30 September 2022 £'000
Current tax		
UK corporation tax	—	40
Tax due on foreign subsidiary	1	—
Corporation tax over provided in prior years	—	(79)
Total current tax charge/(credit)	1	(39)
Deferred tax		
Origination and reversal of temporary differences	(435)	(24)
Movement related to change in tax rates	—	43
Movement related to prior year adjustments	(7)	114
Total deferred tax (credit)/charge*	(442)	133
Tax (credit)/charge in the statement of comprehensive income	(441)	94

* Note 17.

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 22% (2022: 13% charge) compared with the average rate of corporation tax charge in the UK of 22% (2022: 19%). The differences are reconciled below:

	30 September 2023 £'000	30 September 2022 £'000
Accounting (loss)/profit before tax	(2,005)	705
Accounting (loss)/profit multiplied by the average UK rate of corporation tax of 22% (2022: 19%)	(441)	134
Effects of:		
Expenses not deductible for tax purposes	73	(4)
Depreciation in respect of non-qualifying items	18	18
Enhanced tax reliefs – R&D and patent box	(33)	(99)
Enhanced tax reliefs – super deduction	—	(27)
Effect of deferred tax rate reduction and difference in tax rates	(52)	37
Tax under-provided in prior years	(7)	35
Tax due on foreign subsidiary	1	—
Total tax (credit)/expense reported in the statement of comprehensive income	(441)	94

Factors that may affect future tax charges

The main rate of corporation tax increased from 19% to 25% from 1 April 2023. The Group has considered the timing of the unwind of its deferred tax and has calculated its deferred tax balances at the rates at which they are expected to unwind. This has resulted in a rate of 25% being applied to deferred tax balances at the year end. As a result of this increase in the main rate of corporation tax, the Group expects its effective tax rate to increase in the medium term. The Group is expecting to carry forward its trading losses for this year to offset against taxable profits in the future.

The Patent Box regime allows companies to apply a rate of corporation tax of 10% to profits earned from patented inventions and similar intellectual property. Zytronic generates such profits from the sale of products incorporating patented components. The Group has determined that all relevant criteria has been satisfied for bringing income within the regime. While the loss-making position of the Group in 2023 has meant that there will be no benefit from the regime at present, the Group will continue to make Patent Box claims and expects to obtain tax deductions from such claims going forwards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2023

8. Dividends

The Directors do not propose the payment of a final dividend for this year's results. This will bring the total dividend for the year to 0.0p (2022: 2.2p).

	30 September 2023 £'000	30 September 2022 £'000
Ordinary dividends on equity shares		
Final dividend of 1.5p per ordinary share paid on 18 March 2022	—	170
Final dividend of 2.2p per ordinary share paid on 24 February 2023	224	—
	224	170

9. (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 2023 £'000	Weighted average number of shares 30 September 2023 Thousands	LPS 30 September 2023 Pence	Profit 30 September 2022 £'000	Weighted average number of shares 30 September 2022 Thousands	EPS 30 September 2022 Pence
(Loss)/profit on ordinary activities after tax	(1,564)	10,162	(15.4)	611	10,836	5.6
Basic LPS/EPS	(1,564)	10,162	(15.4)	611	10,836	5.6

There are no dilutive or potentially dilutive instruments.

10. Intangible assets

	Software £'000	Goodwill £'000	Patents and licences £'000	Development expenditure £'000	Total £'000
Cost					
At 1 October 2021	598	235	2,048	3,969	6,850
Additions	136	—	48	23	207
At 1 October 2022	734	235	2,096	3,992	7,057
Additions	296	—	38	160	494
At 30 September 2023	1,030	235	2,134	4,152	7,551
Amortisation					
At 1 October 2021	598	—	1,850	3,669	6,117
Provided during the year	11	—	26	192	229
At 1 October 2022	609	—	1,876	3,861	6,346
Provided during the year	—	235	23	107	365
At 30 September 2023	609	235	1,899	3,968	6,711
Net book value at 30 September 2023	421	—	235	184	840
Net book value at 1 October 2022	125	235	220	131	711
Net book value at 1 October 2021	—	235	198	300	733

Included within cost is £2.7m (2022: £1.6m) relating to capitalised development costs which have been fully amortised but continue to be utilised in the business.

10. Intangible assets continued

Impairment of goodwill

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

The Directors considered the carrying value of this asset and with the Group's continued technology advancements in its PCAP solutions, confirmed that the incorporated older technology has no value in use. The Group has therefore agreed to fully impair the Goodwill in the year.

11. 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 2021	207	3,070	2,463	9,086	14,826
Additions	—	—	—	281	281
Disposals	—	—	—	(41)	(41)
At 1 October 2022	207	3,070	2,463	9,326	15,066
Additions	—	—	—	296	296
Disposals	—	—	—	(35)	(35)
At 30 September 2023	207	3,070	2,463	9,587	15,327
Depreciation					
At 1 October 2021	—	829	916	7,711	9,456
Provided during the year	—	61	70	411	542
Disposals	—	—	—	(39)	(39)
At 1 October 2022	—	890	986	8,083	9,959
Provided during the year	—	61	55	329	445
Disposals	—	—	—	(35)	(35)
At 30 September 2023	—	951	1,041	8,377	10,369
Net book value at 30 September 2023	207	2,119	1,422	1,210	4,958
Net book value at 1 October 2022	207	2,180	1,477	1,243	5,107
Net book value at 1 October 2021	207	2,241	1,547	1,375	5,370

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2023

12. Inventories

	30 September 2023 £'000	30 September 2022 £'000
Raw materials and consumables	2,149	1,547
Work in progress	316	344
Finished goods	246	293
	2,711	2,184

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

13. Trade and other receivables

Current assets

	30 September 2023 £'000	30 September 2022 £'000
Trade receivables	936	2,523
VAT recoverable	57	85
Corporation tax	1	142
Prepayments	258	207
	1,252	2,957

Trade receivables are denominated in the following currencies:

	30 September 2023 £'000	30 September 2022 £'000
Sterling	348	590
US Dollar	496	1,728
Euro	92	205
	936	2,523

Out of the carrying amount of trade receivables of £0.9m (2022: £2.5m), £0.1m (2022: £0.9m) is the amount of debts owed by two major customers (2022: two major customers). Regular reviews are undertaken on these major customers so as to ascertain that there are no recoverability 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 2023, trade receivables at a nominal value of £338,000 (2022: £Nil) were impaired due to poor payment history. Movements in the provision for impairment of trade receivables were as follows:

	£'000
At 1 October 2021	—
At 1 October 2022	—
Provided during the year	338
At 30 September 2023	338

13. Trade and other receivables continued

Current assets continued

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.

	Weighted average loss rate	Gross carrying amount £'000	Impairment loss allowance £'000	Credit impaired
30 September 2023				
Performing	0.00%	683	—	No
Underperforming	2.32%	259	6	Yes
Write-off	100.00%	332	332	Yes
		1,274	338	

	Weighted average loss rate	Gross carrying amount £'000	Impairment loss allowance £'000	Credit impaired
30 September 2022				
Performing	0.00%	1,803	—	No
Underperforming	0.00%	720	—	No
Write-off	0.00%	—	—	No
		2,523	—	

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

	Not due £'000	Past due		Total £'000
		<3 months £'000	>3 months £'000	
2023	759	204	—	963
2022	1,804	719	—	2,523

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2023

14. Cash and short term deposits

	30 September 2023 £'000	30 September 2022 £'000
Cash at bank and in hand	2,113	6,132
Short term deposits	2,593	271
	4,706	6,403

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 six months (sometimes with break conditions), depending on the immediate cash requirements of the Group, and earn interest at variable rates.

At 30 September 2023, the Group had available a net £1.5m (total cash less overdrawn accounts) overdraft facility from Barclays Bank plc which will fall for review in October 2024.

The fair value of cash and cash equivalents is £4.7m (2022: £6.4m).

15. Trade and other payables

	30 September 2023 £'000	30 September 2022 £'000
Trade payables*	410	966
Other taxes and social security costs	78	89
	488	1,055
Accruals	554	560
	1,042	1,615

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

16. Financial liabilities

	30 September 2023 £'000	30 September 2022 £'000
Foreign exchange forward contracts	—	92
Total	—	92
Total current	—	92

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 2023, the Group has used a Level 2 valuation technique to determine the fair value of all forward exchange contracts and loans.

Derivative financial instruments

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

17. Deferred tax liability/(asset)

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

	30 September 2023 £'000	30 September 2022 £'000
Deferred tax liability		
Accelerated capital allowances	507	440
Capitalised R&D	46	32
Other	15	16
	568	488
Deferred tax asset		
Pension asset	(7)	(7)
Losses	(535)	(13)
	(542)	(20)
Disclosed on the statement of financial position	26	468

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

	30 September 2023 £'000	30 September 2022 £'000
Deferred tax in the statement of comprehensive income		
Accelerated capital allowances	74	48
R&D tax credits	(25)	(25)
Other – losses	109	110
Deferred income tax credit	158	133

18. Financial risk management policy and financial instruments

The Group's principal financial instruments comprise cash and forward foreign exchange contract derivatives, however at the year end there were no forward foreign exchange contracts in place. 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 £1.5m arranged with its principal banker, Barclays Bank plc. This facility extends until October 2024 and is to provide funding for working capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2023

18. Financial risk management policy and financial instruments continued

Maturity profile of financial liabilities

Year ended 30 September 2023

	On demand £'000	<3 months £'000	3-12 months £'000	Total £'000
Trade and other payables	759	204	—	963
Total	759	204	—	963

Year ended 30 September 2022

	On demand £'000	<3 months £'000	3-12 months £'000	Total £'000
Trade and other payables	1,146	380	—	1,526
Foreign exchange forward contracts – outflows	—	1,518	541	2,059
Total	1,146	1,898	541	3,585

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

Foreign exchange risk

Foreign 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. Any additional surplus currency at the end of each month is dealt with at spot rates. There were no contracts in place as at 30 September 2023.

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
2023				
Sterling	+10%	(40)	+10%	(9)
	-10%	48	-10%	12
2022				
Sterling	+10%	(135)	+10%	(19)
	-10%	165	-10%	24

Capital management

The Group's policies on capital management are included in the Directors' report on page 36.

19. Equity share capital

(a) Share capital

	2023 Number Thousands	2022 Number Thousands	2023 £'000	2022 £'000
Allotted, called up and fully paid				
Ordinary shares of 1p each	10,162	10,162	102	102

(b) Share premium

	£'000
At 1 October 2022	8,994
At 30 September 2023	8,994

20. Capital commitments

Amounts contracted for at 30 September 2023 but not provided for in the financial statements amounted to £Nil (2022: £325,000) for the Group.

21. Pension scheme commitments

Contributions for the year ended 30 September 2023 amounted to £264,000 (2022: £162,000) and the outstanding contributions at the statement of financial position date were £34,000 (2022: £36,000). 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.

22. 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:

	2023 £'000	2022 £'000
Salaries/fees	383	398
Pension contributions	21	22
	404	420

23. Guarantees

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

FIVE-YEAR SUMMARIES

Consolidated statement of comprehensive income

For the five years ended 30 September 2023

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Group revenue	8,610	12,340	11,683	12,680	20,104
Cost of sales	(7,109)	(8,577)	(8,146)	(10,130)	(13,311)
Cost of sales excluding exceptional items	(6,500)	(8,577)	(8,146)	(9,015)	(13,311)
Exceptional items - Goodwill impairment	(235)	—	—	(1,115)	—
Exceptional items - Other	(374)	—	—	—	—
Gross profit	1,501	3,763	3,537	2,550	6,793
Distribution costs	(159)	(258)	(183)	(196)	(350)
Administration expenses	(3,547)	(2,810)	(2,901)	(3,318)	(3,462)
Administration expenses excluding exceptional items	(3,092)	(2,810)	(2,901)	(3,060)	(3,462)
Exceptional items	(455)	—	—	(258)	—
Group trading (loss)/profit	(2,205)	695	453	(964)	2,981
Other income	—	—	—	500	—
Group operating (loss)/profit	(2,205)	695	453	(464)	2,981
Finance revenue	200	10	—	41	76
(Loss)/profit before tax	(2,005)	705	453	(423)	3,057
Tax credit/(expense)	441	(94)	(47)	129	(366)
(Loss)/profit for the year	(1,564)	611	406	(294)	2,691
Other comprehensive income	—	—	—	—	—
Total comprehensive (loss)/income	(1,564)	611	406	(294)	2,691
(Loss)/earnings per share					
Basic	(15.4p)	5.6p	3.0p	(1.8p)	16.8p
Dividends per share	0.0p	2.2p	1.5p	0.0p	22.8p

All activities are from continuing operations.

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

This five-year summary has been extracted from the audited accounts for each period.

Consolidated statement of financial position

At 30 September 2019 to 2023

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Assets					
Non-current assets					
Intangible assets	840	711	733	1,043	1,299
Property, plant and equipment	4,958	5,107	5,370	5,820	6,385
	5,798	5,818	6,103	6,863	7,684
Current assets					
Inventories	2,711	2,184	1,435	2,332	3,034
Trade and other receivables	1,252	2,957	2,200	1,888	4,127
Cash and short term deposits	4,706	6,403	9,157	14,038	13,143
	8,669	11,544	12,792	18,258	20,304
Total assets	14,467	17,362	18,895	25,121	27,988
Equity and liabilities					
Current liabilities					
Trade and other payables	488	1,055	1,080	591	962
Derivative financial liabilities	—	92	16	—	21
Provisions	—	—	—	582	—
Accruals	554	560	551	376	499
Government grants	—	—	26	27	—
Tax liabilities	—	—	121	—	192
	1,042	1,707	1,794	1,576	1,674
Non-current liabilities					
Deferred tax liabilities (net)	26	468	336	480	516
	26	468	336	480	516
Total liabilities	1,068	2,175	2,130	2,056	2,190
Net assets	13,399	15,187	16,765	23,065	25,798
Capital and reserves					
Equity share capital	102	102	114	160	160
Share premium	8,994	8,994	8,994	8,994	8,994
Capital redemption reserve	58	58	46	—	—
Retained earnings	4,245	6,033	7,611	13,911	16,644
Total equity	13,399	15,187	16,765	23,065	25,798

This five-year summary has been extracted from the audited accounts for each period.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2023

	Notes	2023 £'000	2022 £'000
Assets			
Non-current assets			
Property, plant and equipment	4	3,734	3,835
Investments	5	5,564	10,106
		9,298	13,941
Current assets			
Trade and other receivables:			
– amounts falling due within one year	6	18	8
– amounts falling due after one year	6	1,597	1,144
Cash and short term deposits		3,632	3,977
		5,247	5,129
Total assets		14,545	19,070
Equity and liabilities			
Current liabilities			
Trade and other payables	7	264	213
Non-current liabilities			
Deferred tax liabilities (net)	8	207	216
Total liabilities		471	429
Net assets		14,074	18,641
Capital and reserves			
Equity share capital	9	102	102
Share premium	9	8,994	8,994
Capital redemption reserve	9	58	58
Retained earnings		4,920	9,487
Total equity		14,074	18,641

The Company's loss for the year was £4,343,000 (2022: profit of £64,000).

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

Mark Cambridge
Chief Executive
8 January 2024

Claire Smith
Group Finance Director

Zytronic Group plc: Registered number 03881244

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Equity share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2021	114	8,994	46	11,612	20,766
Profit for the year	—	—	—	64	64
Repurchase and cancellation of shares	(12)	—	12	(2,019)	(2,019)
Dividends	—	—	—	(170)	(170)
At 1 October 2022	102	8,994	58	9,487	18,641
Loss for the year	—	—	—	(4,343)	(4,343)
Dividends	—	—	—	(224)	(224)
At 30 September 2023	102	8,994	58	4,920	14,074

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2023

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 18 January 2024. 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 2023.

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 requirements of paragraph 17 of IAS 24 Related Party Transactions; and
- ▶ 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.

(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	–	50 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.

(d) Investments

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

1. Accounting policies continued

(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.

(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 2023 was £20,000 (2022: £16,000).

3. Staff costs and Directors' emoluments

	30 September 2023 £'000	30 September 2022 £'000
Fees	75	96
Social security costs	7	11
	82	107

The total of Directors' emoluments is £75,000 (2022: £96,000). This is in relation to fees for services provided. There are no charges for pension costs.

Amounts paid to the highest paid Director are £31,000 (2022: £44,000).

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2023

3. Staff costs and Directors' emoluments continued

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

	30 September 2023 Number	30 September 2022 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 2022 and 30 September 2023	207	3,070	2,097	5,374
Depreciation				
At 1 October 2022	—	890	649	1,539
Provided during the year	—	61	40	101
At 30 September 2023	—	951	689	1,640
Net book value at 30 September 2023	207	2,119	1,408	3,734
Net book value at 1 October 2022	207	2,180	1,448	3,835

5. Investments

Investments in subsidiary companies

	2023 £'000	2022 £'000
Shares in subsidiary companies		
At beginning of year	10,106	10,106
Amortised during the year	(4,542)	—
At end of year	5,564	10,106

During the year the Company amortised its holding in Intasolve Limited by £0.3m. The Directors also identified the the recent and short-term projected results of the subsidiary, Zytronic Displays Limited as indicators of an impairment. They have therefore undertaken an impairment assessment using a value-in-use model. This assessment considered turnover and gross margin to be the key drivers of future value of the subsidiary. As a result of this review an impairment provision of £4.2m was considered appropriate.

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, Tyne and Wear NE21 5NJ.

6. Trade and other receivables

	2023 £'000	2022 £'000
Prepayments and accrued income	18	8
	18	8

Amounts falling due after more than one year are:

	2023 £'000	2022 £'000
Amounts owed by Group undertakings	1,597	1,144

7. Trade and other payables

	2023 £'000	2022 £'000
Trade creditors	2	—
Other creditors and accruals	54	49
Other amounts owed to subsidiary undertakings	81	81
Corporation tax	127	83
	264	213

8. Deferred tax liability

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

	2023 £'000	2022 £'000
Accelerated capital allowances	207	216
At 1 October	216	224
Credit in the statement of comprehensive income	9	8
At 30 September	207	216

9. Equity share capital

(a) Share capital

	2023 Number Thousands	2022 Number Thousands	2023 £'000	2022 £'000
Allotted, called up and fully paid				
Ordinary shares of 1p each	10,162	10,162	102	102

(b) Share premium

	£'000
At 1 October 2022	8,994
At 30 September 2023	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 £1.5m arranged with its principal banker, Barclays Bank plc. This facility extends until October 2024. This facility is to provide funding for working capital.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Zytronic plc (the "Company") will be held at the Company's registered office at Whiteley Road, Blaydon-on-Tyne, Tyne and Wear NE21 5NJ, at 1.00pm on Thursday 29 February 2024 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 2023 and the reports of the Directors and auditor thereon.
2. To elect Dr Chris Potts as a Director.
3. To re-elect Mark Cambridge as a Director.
4. To re-appoint Crowe U.K. 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 and 3 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 £33,533.73, provided that (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the Company's Annual General Meeting held in 2025 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 £5,080.87,

such authority to expire at the conclusion of the Company's Annual General Meeting held in 2025 (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.

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 £5,080.87; 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,

Special business continued

such authority to expire at the conclusion of the Company's Annual General Meeting held in 2025 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.

By order of the Board

Claire Smith
Company Secretary
8 January 2024

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

Notes

- 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.
- Completed Forms of Proxy must be returned to the Company's registrars at the address shown on the Form of Proxy not later than 1.00 pm on Tuesday 27 February 2024 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.
- In order to be valid, a proxy appointment must be made and returned by one of the following methods:
 - by completion of the Form of Proxy, in hard copy form by post, or by courier to the registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY (the "Registrar");
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below; or
 - by appointing your proxy electronically via the Registrar's website at www.investorcentre.co.uk/eproxy. You will need your Control Number, SRN & PIN which can be found on your Form of Proxy,

and in each case, the appointment must be received not less than 48 hours before the time for holding of the AGM (i.e. by no later than 1.00 pm on 27 February 2024). In calculating such 48-hour period, no account shall be taken of any part of a day that is not a working day. A shareholder that appoints a person to act on their/its behalf under any power of attorney or other authority and wishes to use method (a), (b) or (c) must return such power of attorney or other authority to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY prior to using such method and in any event not less than 48 hours before the time of the AGM. If you hold your Ordinary Shares in uncertificated form (that is, in CREST) you may appoint a proxy by completing and transmitting a CREST message (a "CREST Proxy Instruction") in accordance with the procedures set out in the CREST manual on the Euroclear website (www.euroclear.com/CREST) (the "Crest Manual") so that it is received by the Registrar by no later than 1.00 pm on 27 February 2024.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy, or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in Note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure his CREST sponsor or voting service provider(s) take) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

- 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:
 - as at close of business or 6.00 pm on 27 February 2024; or
 - 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 1p 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 Tuesday 27 February 2024 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- 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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www.zytronicplc.com



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