SOLID STATE PLC

3 December 2019

Solid State plc
("Solid State", the "Company" or the "Group")
Interim Results for the six months ended 30 September 2019

Solid State plc (AIM: SOLI), the AIM listed manufacturer of computing, power and communications products, and value added distributor of electronic components, is pleased to announce its Interim Results for the six months ended 30 September 2019.

Highlights in the period include:

	H1 2019/20	H1 2018/19	Change
Reported revenue	£33.6m	£23.5m	+43%
Proforma revenue*	£33.6m	£30.3m	+11%
Reported operating profit margin (note 5)	7.1%	5.7%	+140bps
Adjusted profit before tax (note 5)	£2.67m	£1.66m	+61%
Proforma adjusted profit before tax**	£2.67m	£1.67m	+60%
Adjusted diluted earnings per share (note 6)	27.8p	16.9p	+64%
Interim dividend	5.25p	4.20p	+25%

*Proforma 2018 restates the prior year on a like for like basis to include the £7.7m Pacer revenue for H1 2018/19 and excludes £1.0m non recurring electronics revenue as reported in prior year.
** Proforma 2018 restates the prior year on a like for like basis to include the £0.26m Pacer EBIT for H1 2018/19 and excludes £0.25m non recurring electronics EBIT as reported in prior year.

Financial highlights:

- Organic revenue growth of 22% in the Manufacturing division with slightly improved margins.
- Proforma like for like revenues in VAD reflect 4% organic revenue growth.
- Strong operating cash generation results in a return to net cash of £0.3m (31 March 2019 net debt £1.9m).
- Significant contract wins previously announced have resulted in a solid Group open order book as at 31 October 2019 of £37.8m up 5.3% (31 October 2018: like for like £35.9m; previously reported £29.4m).

Operational highlights:

- Securing enlarged Microchip franchise announced in July 2019 is expected to positively impact VAD order intake in the second half.
- Significantly enhanced value added capability as a result of the investment in the Weymouth facility.
- Continued development of own brand computing products and investment in research & development particularly in the Computing, Power and Opto-electronics business units supporting the margin improvement.
- Investment in Business Development resource to target new customers and markets across both divisions.

Commenting on the results and prospects, Tony Frere, Chairman of Solid State said:

"I am very pleased to present a strong set of results which will be my last as Chairman of Solid State. In the five years of leading the Board we have worked very hard to build a resilient business with key points of difference in its industry. These record results vindicate our strategy and ensure a strong platform for future growth."

Investor Site Visits:

Solid State conducts site visits for investors at its Redditch head office where operations for both the value added distribution and manufacturing operations can be seen. Those interested in attending should contact Tom Cooper on tom.cooper@walbrookpr.com or 0797 122 1972.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

For further information please contact:

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Notes to Editors:

Solid State plc (SOLI) is a value added electronics group supplying industrial and military markets with ruggedised/durable components, assemblies and manufactured units for use in harsh environments. The Group's mantra is – 'Trusted technology for demanding applications'. To see an introductory video on the Group - https://youtu.be/bp4WfLCEc5Y

Operating through two main divisions: Manufacturing (Steatite) and Value Added Distribution (Solid State Supplies & Pacer); the Group specialises in complex engineering challenges often requiring design-in support and component sourcing for computing, power, communications, electronic and optoelectronic products.

Headquartered in Redditch, Solid State employs over 200 staff across the UK with a branch office in the USA, serving specialist markets in oil & gas production, transportation, medical, construction, security, military and field maintenance.

Solid State was established in 1971 and admitted to AIM in June 1996. The Group has grown organically and by acquisition – having made 10 acquisitions.

Our Vision

To exploit the significant opportunities that exist in our target markets; we aspire to double the size of the business over the mid-term. We expect to deliver this through a combination of organic growth and strategic acquisitions.

Our Mission

"To remain at the forefront of electronics technology, delivering reliable, high quality products and services. Adding value at every opportunity, from enquiry to order fulfilment; consistently meeting customer and partner expectations."

Our Strategy

Our strategy to deliver this has three key elements:

1) investment in our people, our technical knowledge and resources to ensure we remain at the forefront of electronics technology. To constantly seek opportunity to add value fulfilling our customers' unmet needs and as such maintaining long term relationships as the trusted advisor and subject matter experts.
2) targeting strategic acquisitions which are aligned with our core capabilities and provide access to new markets or deepen our knowledge, ability and enhance the value we can add to our customers; and,
3) continue to develop our strategic partnerships with customers and suppliers within the electronics industry, building our portfolio of value added services.

Unaudited Interim Results of the six months ended 30 September 2019

I am pleased to report that the first half was a record trading period for the Group and one which also showed continued progress in delivering our strategy.

Group revenue for the period increased by 43% to £33.6m (H118: £23.5m), reflecting strong organic growth in the Manufacturing division and the first period benefit of the acquisition of Pacer Technologies Ltd ("Pacer") within the Value Added Distribution ("VAD") division. Like for like revenue on a pro-forma basis (adjusted for the effect of acquisition and non-recurring items in the prior year) showed robust growth of 11%.

In the period, the Group's gross margin increased 100bps to 30.1% (H118: 29.1%) primarily reflecting the benefit of foreign exchange tailwinds in the first half. Pleasingly, underlying product margins in both divisions are stable or show a slight improvement. This strong trading performance translates into a 64% increase in adjusted diluted earnings per share to 27.8p (H118: 16.9p). The Board has proposed a 25% increase in the interim dividend to 5.25p (H118: 4.20p).

Trading in the first half has benefitted from favourable currency movements and, as announced in September, the acceleration of certain strong margin project work that had been expected in the second half. Therefore the result of the year as a whole is expected to be first half weighted. Although the macro-economic environment remains very challenging, current trading since the period end has continued in-line with management expectations, and the Board remains confident of meeting the recently increased market expectations for the full year. Prospects for the remainder of the financial year are underpinned by the solid open order book and the resilience and diversity of the Group, resulting from its broad base of products and clients across a range of market sectors.

Business Overview

The Solid State Group supplies electronics solutions to its customers from value added distribution of electronic and opto-electronic components and displays, to highly technical bespoke engineered and manufactured assemblies. These products are provided across its three core business areas of Computing, Power and Communications.

The Group operates through two operating divisions; VAD and Manufacturing. These divisions have distinct characteristics in their respective market places; however, they have a common mission, a clear delivery strategy, and consistent business values.

The VAD division is focusing its activities into three business units; Electronics, Opto-electronics and Sourcing and Obsolescence. The VAD division is a market leader in delivering innovative, valuable, technical solutions for customers seeking specialist, electronic and opto-electronic components and displays with world class value added capabilities.

The Manufacturing division is a market leader in the design, development and supply of high specification industrial computers, custom battery packs providing portable power and energy storage solutions and advanced communication systems, encompassing wideband antennas and high performance video transmission products.

Across the Group our depth of understanding and a collaborative approach to client relationships have always promoted an integrated process of product design and supply. This co-operation and collaboration is valued by our clients and we believe it is of significant commercial value both to us and our customers. The Group will continue to pursue this approach and extend it into new relationships.

The market for the Group's products and services is driven by the need for bespoke electronic solutions to address complex needs, typically in harsh environments where enhanced durability and resistance to extreme and volatile humidity, temperature, pressure and wind is vital. The drivers of value in our markets include safety, technical performance, efficiency improvements, cost savings, and environmental monitoring.

Our stated strategy is to supplement organic growth with selective acquisitions within the electronics industry which will complement our existing Group companies and over time enable us to achieve improved operating margins through the delivery of operational efficiencies and scale.

Divisional Review

Manufacturing Division

The Manufacturing division has seen organic revenue growth of 22%, with first half billings being particularly pleasing within the Power Business unit. The continued focus on delivering high value solutions, has resulted in a favourable mix of sales where our customers recognise the added value provided in our solutions.

Our continued focus on marketing effort is delivering an increase in quality lead generation to support the focused sales activities where we have concentrated on key account development and growing the order book.

The improved utilisation of our facilities and infrastructure leverages the operational gearing, which has delivered the improvement in divisional profitability.

Operationally we have continued to implement the planned investments in research and development, personnel, equipment and facilities. We have invested in business development resource and we have continued to develop our battery management systems capability at the Crewkerne site, which is the centre of excellence for our Power business. We also completed the commissioning of the environmental test equipment at the Leominster facility allowing the pre compliance testing of products from across the Group. We are now looking to strengthen our Attenuation and Electromagnetic Compatibility (EMC) testing capability at our Redditch facility.

These investments represent an important operational cornerstone, as the division seeks to continue to deliver the growth and margin initiatives such as own brand product development.

Value Added Distribution (VAD) Division

The VAD division continues to trade well and to outperform all metrics published by the industry association body.
Revenues increased to £19.5m (H118: £12.0m) principally as a result of the contribution of the Pacer acquisition.

The acquisition of Pacer in November 2018 has significantly expanded the division's value added services which now includes sub module optical assembly alongside class 7 clean room facilities in Weymouth. The clean room facilities allow for precise optical alignment and the addition of display overlays in dust free conditions along with clean room manufacturing and testing.

This division's world class facilities, together with our programming, tape and reeling, bake and seal, and mini reeling capabilities in our existing electro static discharge safe facility, are allowing customers to focus on their core business and take our products direct to their production lines.

Following the acquisition of Pacer, a strategic review of the Opto-electronics business unit was undertaken to identify opportunities and leverage the scale of the enlarged VAD division. In undertaking the review, operational efficiencies where appropriate, such as consolidation of the warehousing in our Redditch facility, have been implemented and a more sales focused operation has been established which is already improving the order book.

Furthermore, our strategic investment in people and inventories has resulted in a significant improvement in the quality and quantity of pipeline opportunities generated across the VAD division.

In July 2019 it was announced that the division had secured the enlarged Microchip franchise. Pleasingly we have already seen our first billings of Microchip product and this is expected to positively impact VAD order intake in the second half. The continuing development of supplier franchises such as the Microchip franchise, in conjunction with the open order book, will support second half billings.

Financial Review

The Group has delivered record first half revenue of £33.6m (H118: £23.5m) which is up 43% (£10.1m). On a proforma basis, revenue (including Pacer and excluding £1m non-recurring VAD revenue) is up 11% (£3.3m) to £33.6m (H118 proforma £30.3m).

The Manufacturing division recorded organic revenue growth of 22% with revenue increasing to £14.1m (H118: £11.5m).

In the VAD Division, revenues increased to £19.5m (H118: £12.0m) principally as a result of the contribution from the Pacer acquisition. Proforma like for like revenues in VAD grew 4% year on year despite the c.3% decline in the UK distribution market as reported by AFDEC, our industry association. While the Electronics business unit was flat with revenues at circa £11m (H118: £11.0m, excluding the non-recurring revenue £1.0m previously reported), growth within the Opto-electronics business unit was around 11% giving revenues of £8.5m (H118: £7.7m).

Group margin improved 100bps to 30.1% (H118: 29.1%) despite the dilutive impact of the larger proportion of VAD revenue. The improvement primarily reflects the benefit of foreign exchange tailwinds of approximately £0.3m in the first half which could unwind in the second half. Pleasingly, underlying product margins in both divisions are stable or showed slight improvements.

Overheads have increased to £7.7m (H118: £5.5m) principally due to the first full period addition of the Pacer overhead at approximately £1.6m. The additional overheads of £0.6m reflect approximately £0.4m investment in personnel and approximately £0.2m overhead inflation.

Operating margin, an increasingly important measure of Group performance, has improved 140bps to 7.1% (H118: 5.7%) reflecting the beneficial operational gearing effect on Group profitability and the foreign exchange tailwinds. The improvement in operating margin in the Manufacturing division has more than offset the expected dilution of the enlarged VAD division.

Adjusted profit before tax for the first half was up 61% to £2.67m (H118: £1.66m). Reported profit before tax was up 75% to £2.32m (H118: £1.33m). This is reported after a share based payments charge of £0.15m (H118: £0.08m), amortisation of acquisition intangibles of £0.19m (H118: £0.11m) and acquisition and re-organisation costs of £nil (H118: £0.15m).

Adjusted profit after tax was up 65% to £2.40m (H118: £1.46m). Reported profit after tax was up 79% to £2.12m (H118: £1.19m).

Adjusted diluted earnings per share from continuing operations were up 64% to 27.8p (H118: 16.9p) with basic EPS up 79% to 25.0p (H118: 14.0p).

The inflow of cash from operating activities was £3.5m (H118 outflow £2.2m). The increased cash generation is primarily due to the increased profitability with working capital being broadly consistent with the H118 inflow of £0.16m.

Pleasingly, the Group has reported a return to net cash of £0.3m at 30 September 2019 following strong cash generation in the first half. This has enabled the repayment of the debt taken on to fund the Pacer acquisition to be accelerated while maintaining £7.5m of unutilised bank facilities which can be used for future acquisitions.

The adoption of IFRS16 Leases is effective for periods beginning on or after 1 January 2019. IFRS16 removes the operating and finance lease classification in IAS17 Leases and replaces them with the concept of right-of-use ('ROU') assets and associated financial liabilities.

Prior periods have not been restated. The impact on EBITDA of adopting IFRS16 in the period is an increase of £0.3m, with an equivalent charge to depreciation cost resulting in no impact to profit before tax. ROU assets recognised on the balance sheet are £0.87m with associated financial liabilities of £0.88m and an equity adjustment of £0.01m. Further details are provided in the notes to these interim results.

Dividends

The Board typically declare an interim dividend which equates to approximately one third of the anticipated full year dividend.

Based on the record trading performance in the first half of the year, the Board is pleased to declare a 25% increase in the interim dividend to 5.25p per share (H118: 4.2p).

The interim dividend will be paid on 14 February 2020 to shareholders on the register at the close of business on 24 January 2020. The shares will go ex-dividend on 23 January 2020.

Board changes

A number of changes to the Board were announced in the period. In July, Nigel Rogers was appointed as a Non-Executive Director and at the end of August John Lavery stood down after many years valuable service to the Group in a number of roles. It was also announced that after nearly six years in the role Tony Frere, the Company's Chairman, intends to retire at the end of the financial year. We are pleased to confirm that the recruitment process for a new Non-Executive Director is underway and we expect to announce a new appointment in the coming months.

With the significant strategic progress we have made in the last twelve months, including Board changes, we are in the process of revisiting and refining the Group strategy which will provide updated KPIs and metrics for future growth. We expect to report on these longer term aims and objectives as part of year end reporting.

Outlook

The first half has seen record trading for the Group. With 22% organic growth in the Manufacturing division in the period and the success of the Pacer acquisition providing scale and margin improvement in the VAD division, the Board is confident that it is adopting the right strategy.

The Board is confident of meeting the recently increased market expectations for the full year, which are underpinned by a solid open order book and the resilience and diversity of the Group, which results from its broad base of products and clients in a range of market sectors.

Pleasingly the open order book at 31 October 2019 was £37.8m which is 5.3% up on the prior year of £35.9m (restated on a like for like basis). Due to the uncertainty in the overall market, we are seeing a shortening in the order book visibility which is resulting in slower growth in the order book than seen in previous periods. That said, this is a familiar pattern seen in times of relative uncertainty and, as a result, the Directors are comfortable with the new business pipeline and level of new contract awards across the Group.

The Board is very pleased with the acquisition of Pacer. As we continue to progress with the integration and implementation of the strategy for the Opto-electronics business unit, the Board is excited by the opportunities that the increased scale, enhanced capability and new customer base brings to the Group.

Strategic acquisitions remain a key part of the Group's growth strategy. Our acquisition strategy is to identify targets which will complement the Group, enhancing our Intellectual Property, knowhow and capabilities, to deliver additional shareholder value.

We have a strong pipeline of potential acquisition targets which are at the early stages of discussion and evaluation. As ever, the Board will continue to apply its rigorous due diligence processes in implementing its acquisition strategy.

Current trading since the end of the first half of the year has continued in-line with management expectations. Overall, the Board is pleased with the progress of the Group and confident that the prospects for the remainder of the year and beyond are positive. It believes the Group is well positioned for future growth both organically and through further acquisitions and to deliver enhanced value for the Company and its shareholders.

Finally, on behalf of the Board, I would like to acknowledge the significant contribution of our staff across the Group to Solid State's continued progress.

Gary Marsh
Chief Executive Officer
3 December 2019

INTERIM CONSOLIDATED INCOME STATEMENT
for the six months ended 30 September 2019

	Unaudited Six months to 30 Sept 19 £'000	Unaudited Six months to 30 Sept 18 £'000	Audited Year to 31 Mar 19 £'000
Continuing Operations			
Revenue	33,587	23,545	56,299
Cost of sales	(23,476)	(16,697)	(39,927)
Gross profit	10,111	6,848	16,372
Sales, general and administration expenses	(7,719)	(5,510)	(13,452)
Profit from operations	2,392	1,338	2,920
Finance costs	(67)	(11)	(109)
Profit before taxation	2,325	1,327	2,811
Tax expense	(203)	(140)	(153)
Adjusted profit after tax	2,401	1,458	3,108
Adjustments to profit	(279)	(271)	(450)
Profit after taxation	2,122	1,187	2,658
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	2,122	1,187	2,658
Other comprehensive income	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,122	1,187	2,658
Earnings per share (see below)			
Basic EPS from profit for the period	25.0p	14.0p	31.3p
Diluted EPS from profit for the period	24.6p	13.8p	30.7p

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2019
(unaudited)

	Share Capital £'000	Share Premium Reserve £'000	Foreign Exchange Reserve £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Shares held in Treasury £'000	Total £'000
Balance at 31 March 2018	425	3,629	-	5	14,204	(243)	18,020
Total comprehensive income for the period	-	-	-	-	1,187	-	1,187
Issue of new shares	2	(2)	-	-	-	-	-
Dividends	-	-	-	-	(679)	-	(679)
Share based payment expense	-	-	-	-	75	-	75
Balance at 30 September 2018	427	3,627	-	5	14,787	(243)	18,603
Total comprehensive income for the period	-	-	-	-	1,471	-	1,366
Foreign exchange	-	-	(5)	-	-	-	(5)
Transfer of treasury shares to AESP	-	-	-	-	(105)	105	-
Purchase of treasury shares	-	-	-	-	-	(34)	(34)
Dividends	-	-	-	-	(357)	-	(357)
Share based payment expense	-	-	-	-	225	-	225
Balance at 31 March 2019	427	3,627	(5)	5	16,021	(172)	19,903
IFRS16 Leases adjustment on adoption	-	-	-	-	(14)	-	(14)
Total comprehensive income for the period	-	-	-	-	2,122	-	2,122
Foreign exchange	-	-	2	-	-	-	2
Dividends	-	-	-	-	(706)	-	(706)
Share based payment expense	-	-	-	-	150	-	150
Balance at 30 September 2019	427	3,627	(3)	5	17,573	(172)	21,457

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 September 2019

	Unaudited as at 30 Sept 19	Unaudited as at 30 Sept 18	Audited as at 31 Mar 19
ASSETS	£'000	£'000	£'000
NON-CURRENT ASSETS			
Property, plant and equipment	2,259	2,133	2,425
Intangible assets	8,668	5,947	8,892
Right of use lease assets	870	-	-
TOTAL NON-CURRENT ASSETS	11,797	8,080	11,317
CURRENT ASSETS			
Inventories	9,404	7,146	9,648
Trade and other receivables	11,674	9,728	13,389
Deferred tax asset	103	-	105
Cash and cash equivalents	1,267	1,794	3,692
TOTAL CURRENT ASSETS	22,448	18,668	26,834
TOTAL ASSETS	34,245	26,748	38,151
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	(7,570)	(5,642)	(8,725)
Contract liabilities	(1,811)	(1,551)	(2,511)
Current borrowings	(666)	-	(1,333)
Corporation tax liabilities	(750)	-	(519)
Right of use lease liabilities	(332)	-	-
TOTAL CURRENT LIABILITIES	(11,129)	(7,193)	(13,088)
NON-CURRENT LIABILITIES			
Non current borrowings	(334)	-	(4,334)
Provisions	(250)	-	(250)
Deferred tax liability	(528)	(376)	(576)
Right of use lease liabilities	(547)	-	-
Corporation tax liabilities	-	(576)	-
TOTAL NON-CURRENT LIABILITIES	(1,659)	(952)	5,160
TOTAL LIABILITIES	(12,788)	(8,145)	18,248
TOTAL NET ASSETS	21,457	18,603	19,903
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	427	427	427
Share premium reserve	3,627	3,627	3,627
Capital redemption reserve	5	5	5
Foreign exchange reserve	(3)	-	(5)
Retained earnings	17,573	14,787	16,021
Shares held in treasury	(172)	(243)	(172)
TOTAL EQUITY	21,457	18,603	19,903

CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 September 2019

	Unaudited as at 30 Sept 19 £'000	Unaudited as at 30 Sept 18 £'000	Audited as at 31 Mar 19 £'000
OPERATING ACTIVITIES			
Profit before taxation	2,325	1,327	2,811
Adjustments for:			
Depreciation	530	236	698
Amortisation	403	370	732
(Profit) / loss on disposal of property, plant and equipment	(9)	4	6
Share based payment expense	150	75	300
Finance costs	67	11	109
Profit from operations before changes in working capital and provisions	3,466	2,023	4,917
Decrease / (increase) in inventories	263	(323)	(1,198)
Decrease / (increase) in trade and other receivables	1,747	320	(1,071)
(Decrease) / increase in trade and other payables	(1,910)	160	2,540
Decrease in provisions	-	-	(10)
Cash generated from operations	3,566	2,180	4,395
Income taxes paid	(20)	-	(243)
	(20)	-	(243)
Net cash flows from operating activities	3,546	2,180	4,674
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(183)	(165)	(600)
Purchase of intangible assets	(180)	(150)	(300)
Payment obligations for right of use assets	(224)	-	-
Proceeds from sale of property, plant and equipment	35	44	113
Consideration paid on acquisition of subsidiaries	-	-	(3,812)
Net cash flow from investing activities	(552)	(271)	(4,599)
FINANCING ACTIVITIES			
Issue of ordinary shares	-	-	(34)
Borrowings drawn	-	-	6,000
Borrowings repaid	(4,667)	-	(1,776)
Interest paid	(52)	(11)	(109)
Dividends paid to equity shareholders	(706)	(679)	(1,036)
Net cash flow from financing activities	(5,425)	(690)	3,045
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(2,431)	1,219	3,120

	Unaudited as at 30 Sept 19 £'000	Unaudited as at 30 Sept 18 £'000	Audited as at 31 Mar 19 £'000
Translational foreign exchange on opening cash	6	-	(3)
Net (decrease) / increase in cash and cash equivalents	(2,431)	1,219	3,120
Cash and cash equivalents brought forward	3,692	575	575
Cash and cash equivalents carried forward	1,267	1,794	3,692

	Unaudited as at 30 Sept 19 £'000	Unaudited as at 30 Sept 18 £'000	Audited as at 31 Mar 19 £'000
Represented by:			
Cash available on demand	1,267	1,794	3,692

NOTES TO THE INTERIM REPORT
for the six months ended 30 September 2019

1. Basis of preparation of interim financial information

General information

Solid State PLC ("the Company") is a public company incorporated, domiciled and registered in England and Wales in the United Kingdom. The registered number is 00771335 and the registered address is: 2 Ravensbank Business Park, Hedera Road, Redditch, B98 9EY.

The interim financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2019, prepared in accordance with IFRS, have been filed with the Registrar of Companies. The Auditors' Report on these accounts was unqualified, did not include any matters to which the Auditors drew attention by way of emphasis without qualifying their report and did not contain any statements under section 498 of the Companies Act 2006.

Basis of preparation

These condensed interim financial statements for the six months ended 30 September 2019 have been prepared in accordance with IAS 34, 'Interim financial reporting', as adopted by the European Union. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2019, which have been prepared in accordance with IFRSs as adopted by the European Union.

The consolidated interim financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as endorsed by the European Union ("IFRS") and expected to be effective at the year end of 31 March 2020.

Going concern

The Directors, after making enquiries, and considering the available resources, the financial forecast together with available cash and committed borrowing facilities, have formed a judgement that there is a reasonable expectation that the Company and the Group have adequate resources to continue operating for the foreseeable future and therefore the going concern basis has been adopted in preparing these financial statements.

In reaching this conclusion, the Board has considered the magnitude of potential impacts resulting from uncertain future events or changes in conditions, the likelihood of their occurrence and the likely effectiveness of mitigating actions that the Directors would consider undertaking.

2. Accounting policies

The accounting policies are unchanged from the financial statements for the year ended 31 March 2019 other than as noted below.

Financial Instruments

The carrying value of cash, trade and other receivables, other equity instruments, trade and other payables and borrowings also represent their estimated fair values. There are no material differences between carrying value and fair value at 30 September 2019.

Additional disclosure of the basis of measurement and policies in respect of financial instruments are described on pages 77 to 82 of our 2019 Annual Report and remain unchanged at 30 September 2019.

Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2019.

Impairment

No Impairment charges have been recognised in the period to 30 September 2019.

Recent accounting developments

The accounting policies adopted are consistent with those of the previous financial year except as described below:

In preparing the interim financial statements, the Group has adopted the following Standards, amendments and interpretations, which are effective for 2019/20 and will be adopted in the financial statements for the year ended 31 March 2020:

- IFRS 16 'Leases'.
- Amendments to IAS 19 'Employee Benefits' which clarifies the accounting for defined benefit plan amendments, curtailments and settlements.
- Amendment to IAS 28 'Investments in associates and joint ventures' which clarifies the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied.
- Amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates and joint ventures' which clarifies the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures.
- Interpretation 23 'Uncertainty over Income Tax Treatments' which explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

The adoption of these standards and amendments has not had a material impact on the interim financial statements, except for IFRS 16, 'Leases'.

Adoption of IFRS 16, 'Leases'

The Group has applied judgement to determine the lease term for some lease contracts in which as lessee there includes a renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognised.

Implementation of IFRS 16 'Leases' requires the Group to recognise new right of use assets and lease liabilities for certain operating leases that principally relate to the Group's manufacturing facilities.

The nature of expenses related to these leases has changed in the six months ended 30 September 2019 because the Group now recognises a depreciation charge for the right of use assets and an interest expense on lease liabilities.

Previously, for non-variable lease expenses, the Group recognised operating lease costs on a straight-line basis over the lease term and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

This change results in the recognition of a liability on the balance sheet for all leases which convey a right to use the asset for the period of the contract.

The lease liability reflects the present value of the future rental payments and interest, discounted using either the effective interest rate or the incremental borrowing rate of the entity.

Solid State PLC has adopted IFRS16 using the modified retrospective transition approach, with the cumulative effect of adopting the new standard being recognised in equity as an adjustment to the opening balance of retained earnings for the current period.

The implementation of IFRS 16 at 1 April 2019, which had no material impact on total net assets or cash, is summarised in the narrative and table set out below:

	Reported 31 March 2019	Adoption of IFRS16	1 April 19
ASSETS	£'000	£'000	£'000
NON-CURRENT ASSETS			
Non current assets previously reported	11,317	-	11,317
Right of use lease assets	-	953	953
TOTAL NON-CURRENT ASSETS	11,317	953	12,270
Total current assets previously reported	26,834	-	26,834
TOTAL CURRENT ASSETS	26,834	-	26,834
TOTAL ASSETS	38,151	953	39,104
LIABILITIES			
CURRENT LIABILITIES			
Current liabilities previously reported	(13,088)	-	(13,088)
Right of use lease liabilities	-	(447)	(447)
TOTAL CURRENT LIABILITIES	(13,088)	(447)	(13,535)
NON-CURRENT LIABILITIES			
Non current liabilities previously reported	(5,160)	-	(5,160)
Non current right of use lease liabilities	-	(520)	(520)
TOTAL NON-CURRENT LIABILITIES	(5,160)	(520)	(5,680)
TOTAL LIABILITIES	(18,248)	(967)	(19,215)
TOTAL NET ASSETS	19,903	(14)	19,889
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Retained earnings	16,021	(14)	16,007
Other reserves as previously reported	3,882	-	3,882
TOTAL EQUITY	19,903	(14)	19,889

3. Principal risks and uncertainties

The principal risks and uncertainties impacting the Group are described on pages 8 to 11 of our 31 March 2019 Annual Report and remain unchanged at 30 September 2019.

They include: Acquisition, product / technology change, supply chain interruption, retention of key employees, competition, financial liquidity, legislative environment and compliance, failure or malicious damage to IT systems and natural disasters.

4. Segmental information

	Unaudited Six months to 30 Sept 19 £'000	Unaudited Six months to 30 Sept 18 £'000	Audited Year to 31 Mar 19 £'000
Revenue			
Manufacturing	14,088	11,543	25,897
Value Added Distribution	19,499	12,002	30,402
Group revenue	**33,587**	**23,545**	**56,299**

5. Adjusted profit measures

	Unaudited Six months to 30 Sept 19 £'000	Unaudited Six months to 30 Sept 18 £'000	Audited Year to 31 Mar 19 £'000
Continuing operations			
Acquisition and re-organisation costs	-	149	149
Amortisation of acquisition intangibles	195	110	284
Share based payments	150	75	300
Non recurring tax credits	-	-	(141)
Taxation effect	(66)	(63)	(142)
Total adjustments to profit	**279**	**271**	**450**
Reported operated profit	2,392	1,338	2,920
Adjusted operated profit	2,737	1,672	3,653
Reported operating margin percentage	7.1%	5.7%	5.2%
Adjusted operating margin percentage	8.1%	7.1%	6.5%
Reported profit before tax	2,325	1,327	2,811
Adjusted profit before tax	2,670	1,661	3,544
Reported profit after tax	2,122	1,187	2,658
Adjusted profit after tax	2,401	1,458	3,108

6. The earnings per share

The earnings per share is based on the following:

	Unaudited Six months to 30 Sept 19 £'000	Unaudited Six months to 30 Sept 18 £'000	Audited Year to 31 Mar 19 £'000
Adjusted continuing earnings post tax	2,401	1,458	3,108
Reported continuing earnings post tax	2,122	1,187	2,658
Weighted average number of shares	8,497,977	8,472,070	8,488,675
Diluted weighted average number of shares	8,625,945	8,632,114	8,648,719
Reported EPS			
Basic EPS from profit for the period	25.0p	14.0p	31.3p
Diluted EPS from profit for the period	24.6p	13.8p	30.7p
Adjusted EPS			
Adjusted basic EPS from profit for the period	28.3p	17.2p	36.6p
Adjusted diluted EPS from profit for the period	27.8p	16.9p	35.9p

7. Dividends

Dividends paid during the period from 1 April 2018 to 30 September 2019 were as follows:

20 September 2018	Final dividend year ended 31 March 2018	8.00p per share
15 February 2019	Interim dividend year ended 31 March 2019	4.20p per share
19 September 2019	Final dividend year ended 31 March 2019	8.30p per share

The Directors are intending to pay an interim dividend for the year ending 31 March 2020 on 14 February 2020 of 5.25p per share. This dividend has not been accrued at 30 September 2019.

8. Share capital

	Unaudited Six months to 30 Sept 19 No.	Unaudited Six months to 30 Sept 18 No.	Audited Year to 31 Mar 19 No.
Allotted issued and fully paid			
Number of ordinary 5p shares	8,532,878	8,532,878	8,532,878

	Unaudited Six months to 30 Sept 19 £'000	Unaudited Six months to 30 Sept 18 £'000	Audited Year to 31 Mar 19 £'000
Allotted issued and fully paid			
Ordinary 5p shares	427	427	427

9. Related party transactions

Consistent with the year ended 31 March 2019 the only related party transactions in the period were those with the trading companies which are used by the non-executive directors for their consultancy services. These transactions are disclosed in remuneration report in the annual report to the 31 March 2019 and will be updated in the full year report to the 31 March 2020. There are no other related party transactions.

10. Non-current assets

	Unaudited Six months to 30 Sept 19 £'000	Unaudited Six months to 30 Sept 18 £'000	Audited Year to 31 Mar 19 £'000
Goodwill	6,300	4,543	6,300
Acquisition intangibles	2,023	992	2,218
Research and development	184	289	267
Software	161	123	107
Intangible assets	8,668	5,947	8,892
Property plant and equipment	2,259	2,133	2,425
Right of use asset	870	-	-
Total Non Current Assets	11,797	8,080	11,317

On the 9 November 2018 Solid State PLC acquired the Pacer group of companies for £3,812k resulting in goodwill arising on acquisition of £1,757k and £1,400k of IFRS 3 acquisition intangibles.

The statement will be available to download on the Company's website: www.solidstateplc.com.