SOLID STATE PLC

7 December 2021

Solid State plc
("Solid State", the "Group" or the "Company")
Interim Results for the six months ended
30 September 2021
Analyst Briefing & Investor Presentation

Solid State plc (AIM: SOLI), the specialist value added component supplier and design-in manufacturer of computing, power, and communications products, announces results for the six months to 30 September 2021.

Highlights in the period include:

	H1 2021/22	**H1 2020/21**	**Change**
Reported revenue	£39.4m	£33.1m	19.0%
Reported operating profit margin	5.6%	7.3%	(170bps)
Adjusted operating profit margin*	8.6%	7.8%	80bps
Reported profit before tax	£2.11m	£2.37m	(11.0%)
Adjusted profit before tax*	£3.27m	£2.55m	28.2%
Reported diluted earnings per share	19.8p	24.0p	(17.5%)
Adjusted diluted earnings per share	32.7p	25.6p	27.7%
Interim dividend	6.25p	5.25p	19.0%
Net cash flow from operations	£4.97m	£1.91m	160.2%

* Adjusted performance metrics are reconciled in note 5, the adjustments relate to IFRS 3 acquisition amortisation, share-based payments charges, effect of the enacted 19% to 25% tax rate increase to deferred tax and non-recurring charges in respect of acquisition costs and fair value adjustments.

	H1 2021/22	**FY 2020/21**	**Change**
Net cash / (net debt)**	(£1.9m)	(£4.4m)	(56.8%)
Open order book @ 30 September / 31 March	£61.5m	£41.3m	48.9%

** Net cash / debt includes net cash with banks £3.3m (H1 2020/21: £4.0m), the fair value of deferred contingent consideration of £5.3m (H1 2020/21: £Nil) and excludes the right of use lease liabilities of £2.3m (H1 2020/21: £2.1m).

Financial highlights:

- Revenue and adjusted profit before tax up 19.0% and 28.2% respectively.
- Adjusted operating cash generation of £4.97m to deliver operating cash conversion of 148%.
- Reported Net Debt (including deferred contingent consideration) on 30 September 2021 decreased to £1.9m (31 March 2021: £4.4m) after payment of the prior year final dividend of £0.9m.
- Increased the fair value of the earn out deferred contingent consideration by £0.3m due to Active Silicon and Willow Technologies outperforming management expectations.
- Record open order book at 30 November 2021 of £70.3m, up 14.3% on 30 September 2021 of £61.5m, and up 70% on year end figure of £41.3m at 31 March 2021.

Operational highlights:

- Previously announced $4.6m defence contract within the Components Division which secured a three year contract renewal with a global defence technology customer to supply components for its defence aerospace programme.
- Completed the commissioning of the Group's in-house Electromagnetic Compatibility (EMC) testing facility and continued to invest in enhancing the Group's capabilities through the capital investment programme.
- Continued progress on our R&D programmes in respect of own brand component development as well as computing, security, antenna products and our BMS (Battery Management Systems) solutions.

- Post completion of Willow and Active, implementation of cross Group training to maximise collaboration and improve understanding and awareness of the enlarged Group's capabilities.

Commenting on the results and prospects, Nigel Rogers, Chairman of Solid State, said:

"Our half year results are particularly pleasing given the widely reported challenges in the global supply chain and more local pressures in staffing and the foreign exchange headwinds at a revenue level.

"The successful acquisition programme has added resilience and opened up opportunities to grow the business in targeted regions and industry sectors. We continue to see acquisitions as a pillar of our growth strategy.

"Group-wide we have worked closely with customers and suppliers in response to the rebound in the economy. This is evident in the order flow and the strong open order book, which gives the Board confidence in meeting expectations[1] for the full year."

[1]Analysts from brokers WH Ireland Limited, finnCap Limited, and Edison Investment Research Limited, provide equity research on Solid State, and the Company considers the average of their research forecasts to represent market expectations, being, for Solid State's 2021/22 financial year, revenue of £78.4m, and adjusted profit before tax* of £5.9m.

Analyst Briefing: 9.30 a.m. today, Tuesday 7 December 2021
An online briefing for Analysts will be hosted by Gary Marsh, Chief Executive, and Peter James, Group Finance Director, at 9.30 a.m. today, Tuesday 7 December 2021, to review the results and prospects. Analysts wishing to attend should contact Walbrook PR on solidstate@walbrookpr.com or on 020 7933 8780.

Investor Results Presentation: 4 p.m. on Thursday 9 December 2021
Gary Marsh, Chief Executive, and Peter James, Group Finance Director, will hold a presentation to cover the results and prospects at 4 p.m. on Thursday 9 December 2021. The presentation will be hosted through the digital platform Investor Meet Company. Investors can sign up to Investor Meet Company for free and add to meet Solid State plc via the following link https://www.investormeetcompany.com/solid-state-plc/register-investor. Investors who have already registered and added to meet the Company will automatically be invited.

Questions can be submitted pre-event to solidstate@walbrookpr.com, or in real time during the presentation via the "Ask a Question" function.

For further information please contact:

Solid State plc Gary Marsh – Chief Executive Peter James – Group Finance Director	Via Walbrook
WH Ireland (Nominated Adviser & Joint Broker) Mike Coe / Sarah Mather (Corporate Finance) Jasper Berry (Corporate Broking / Sales)	020 7220 1666
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Analyst Research Reports: For further analyst information and research see the Solid State plc website: https://solidstateplc.com/research/

Notes to Editors:

Solid State plc (SOLI) is a value added electronics group supplying commercial, industrial and military markets with durable components, assemblies and manufactured units for use in specialist and harsh environments. The Group's mantra is - 'Trusted technology for demanding applications'. To see an introductory video on the Group - https://bit.ly/3kzddx7

Operating through two main divisions: Systems (Steatite & Active Silicon) and Components (Solid State Supplies, Pacer, Willow Technologies & AEC); the Group specialises in complex engineering challenges often requiring design-in support and component sourcing for computing, power, communications, electronic, electro-mechanical and opto-electronic products.

Headquartered in Redditch, UK, Solid State employs approximately 300 staff across UK and US, serving specialist markets in industrial, defence and security, transportation, medical and energy.

Solid State was established in 1971 and admitted to AIM in June 1996. The Group has grown organically and by acquisition - having made 12 acquisitions since 2002.

**Unaudited Interim Results of the six months ended
30 September 2021**

I am pleased to report an excellent first half, with Group revenue of £39.4m (H1 2020/21: £33.1m) which is 19% up on the prior period (like for like organic revenue growth is 8%) despite the significant challenges presented by the well-publicised electronics supply chain constraints. Reported revenue growth was held back as a result of a weaker US dollar, however the profit effect of this was mitigated by a natural hedge from US dollar denominated component purchases, benefitting the gross margin percentage.

The Group's sector diversity continues to provide a resilient business model. Order intake has been strong across all sectors including in those markets which had previously shown some weakness during the Pandemic, specifically energy and aerospace. This has resulted in a record open order book on 30 November 2021 of £70.3m (Comparatives: 30 September 2021: £61.5m; 31 March 2021: £41.3m; 30 November 2020: £34.3m).

The contribution from the acquisitions of Willow and Active Silicon at the end of last year has exceeded management's expectations, supporting the Group's progress in delivering its growth strategy. The Board is making good progress in updating its 5-year vision and strategy for the period to 2027. As part of that work, and going forward, we will simplify the descriptions of the respective divisions to better describe their core activities.

The Group's "Components Division" (previously Value Added Supplies) manufactures and sells own brand and franchise components. The Components Division has products and services across Semiconductors, Opto-electronics, Electromechanical, Embedded Solutions, Sourcing & Obsolescence and value added services. The Group's "Systems Division" (previously Manufacturing) provides products and systems across three key business unit areas of Power, Computing and Communications. The Board considers that this simplification will help stakeholders better understand the Group's capabilities, and where and how we add value to our customers.

The strong trading performance in the period has been held back by component shortages, and had supply chains been more normal, we would have seen even stronger organic revenue growth. In the period, Group gross margins have increased to 32.7% (H1 2020/21: 29.9%). While FX has benefitted reported margins by circa 1%, underlying margins in both divisions have seen improvements year on year, as a consequence of the execution of the Group's strategy and the recent acquisitions.

Despite these challenges, adjusted diluted earnings per share of 32.7p (H1 2020/21: 25.6p) is 28% higher than the prior year and we believe this sets the Group up well to deliver a record full year result and meet expectations. Based on the trading in the first half and prospects for the full year, the Board is increasing the interim dividend to 6.25p (H1 2020/21: 5.25p).

The Group continued to deliver strong cash generation in the first half with cash inflow from operations of £5.0m (H1 2020/21: £1.9m) albeit the period benefitted from a working capital in-flow which is expected to unwind in the second half, however, the strong cash generation means net debt has fallen 49% to £1.9m (31 March 2021: £4.4m).

The macro-economic environment continues to be problematic, and the Group is working hard with customers and suppliers to manage supply chain challenges. This has resulted in some increase in stocking at Solid State during the period and post period end, requiring investment in working capital, and some commitments to longer order schedules by both Solid State and its customers. As a result, there is reduced mid / long term visibility over supplies which makes forecasting more testing.

Current order intake continues to be strong and trading since the period end has been in-line with management expectations. Prospects for the remainder of the financial year are underpinned by the near-term open order book and the resilience and diversity of the Group. Whilst there is still some uncertainty as to the impacts of supply chain challenges for the remainder of our financial year, the Board is confident of meeting its expectations for the year ending 31 March 2022.

Business Overview

The Group supplies electronic products, technology, and solutions, primarily designed for demanding applications where safety, performance, reliability, and quality are critical; enabling customers to focus on their core business with confidence by providing trusted technology for demanding applications.

The Group is focused on the supply and support of specialist electronics equipment and solutions from components, sub-assemblies, products, and embedded systems, through to complete integrated electronic solutions.

The Group operates through two operating divisions: Components and Systems. They have distinct characteristics in their respective markets; however, they have a common mission, a clear strategy, and consistent business values.

The Components Division is developing its offering in three areas: own brand manufactured components, franchised components and the provision of value-added services such as Sourcing & Obsolescence management. The Components Division is a specialist in delivering innovative, valuable, technical solutions for customers seeking cutting edge, electronic, opto-electronic, electro-mechanical components and displays with market leading value-added capabilities.

The Systems Division has market leading capabilities in the design, development and supply of high specification industrial computers, circuit board level design and manufacturing capabilities, primarily for image capture, processing, transmission, custom battery packs providing portable power and energy storage solutions and advanced communication systems, encompassing wideband antennas and high-performance radio products.

The Group is the subject matter expert for its customers, with deep industry knowledge and longstanding key supplier relationships. In designing-in solutions to address the customer needs, the Group selects the most appropriate component, module, computing technology, cell chemistry, or communications solution which ensures Solid State is a trusted partner.

The Group constantly seeks to add value for its customers, who are typically looking to embrace the adoption of the enabling technologies where Solid State has industry leading component and manufacturing expertise, such as electronic and optoelectronic component design-in, image processing, artificial intelligence (AI), IOT, fossil fuel replacement, switching, cordless & portable power, and leading-edge communications / antenna solutions.

Our stated strategy is to supplement organic growth with selective acquisitions within the electronics industry which complement our existing Group companies and facilitate the internationalisation of the Group and/or provide additional products / talent / technology / IP and knowhow which can accelerate our progress in our target growth markets.

Chief Executive's first half review

Key stakeholder engagement

The first half of the year has seen unprecedented shortages in the electronic components sector. We anticipated these shortages during FY20/21 and engaged with our customers to increase order cover. Where possible we placed longer order schedules with our key suppliers to mitigate these shortages. Continued disruption in the supply chains is expected in the second half and through FY22/23. We are working with customers and suppliers to manage this disruption as effectively as we can.

In managing the supply chain challenges we are facing increased working capital demands to secure product. The Group's strong balance sheet puts Solid State in a good position to ensure that it can secure product, albeit the lead times are significantly extended. In managing purchase price rises, which vary significantly, we have communicated these supply chains challenges carefully to our customers, and there has been clear recognition of the need for the financial effects to be passed on into selling prices.

Positively, the Group is seeing record customer demand for our products and components and the open order book at the end of H1 was £61.5m (31 March 2021: £41.3m), which is up 49%. The increased demand is across our business, we have seen a recovery in some of the markets which were adversely impacted during the pandemic such as energy and aerospace, combined with several new projects which had been deferred now being delivered. Pleasingly, we have also seen strong demand in our growth markets such as AI, edge computing and autonomy.

Benefitting from our recent acquisitions

In the first half of the financial year 2021/22 we have benefitted from the acquisitions of Willow Technologies and Active Silicon. The acquisitions have exceeded management expectations. The engagement from the acquired business teams to maximise the benefits of being part of an enlarged Group has delivered tangible opportunities. We are currently bidding on projects that would not have been achievable without the acquired capabilities.

Delivery of the strategy

Enhancing our international sales channels

Following the acquisition of Willow and Active, the Group has been working to develop its international sales channels in the EU and the USA for its own brand components within the Hermaseal® and Durakool® portfolio as well as the Pacer branded components.

The Group has started to develop the USA sales channel by expanding its representative network in the USA. Representatives benefit from being able to sell own brand components as well as our own brand products from our Systems Division such as our antenna solutions and our own brand TEMPEST computing offering.

In addition to the own brand components that can be sold globally, the Group also has several pan-European franchises that provide opportunities to deliver organic growth as the Group develops its EU sales channel. The acquisitions brought the Group some local representatives and distribution partners in the USA as well as local resources in the EU. These foundations provide an initial platform from which the Group is looking to develop its international sales channels.

Broadening our components portfolio

Our Components Division has continued to develop its portfolio of franchise manufacturers in the period taking on the ASUS industrial computing component line which provides IoT platforms enhancing our portfolio of industrial computing components.

During this period of shortages in the electronics sector, our breadth of components has enabled us to support customers in designing-in and supplying second sources for many components, providing customers with some resilience. This work adds value and provides new opportunities for the Group.

We have strengthened the USA component manufacturing facility (AEC) leadership team, by appointing a General Manager, and bolstering the local sales resource. The Group continues to invest in our R&D projects further developing our portfolio of own brand electro-mechanical components.

Manufacturing portfolio of own brand modular products

The Systems Division has made significant progress in our product development. The computing business unit has extended our own brand fan-less computing offering to include a low magnetic signature computing product offering which is increasingly important for defence applications including those with demanding EMC requirements. In addition, we have seen our TEMPEST accredited security product portfolio become market ready which includes the Group's keyboard video mouse (KVM) product and high-attenuation-smart-enclosure HASE units.

In the Communications business unit, the development of the standard and semi-custom antenna portfolio (horns, spirals and sinuous antennas) has delivered a stable platform of run rate business over which longer term and larger programmes are being targeted to provide upside opportunities for organic growth.

Within our Power business unit, the development of our scalable and flexible modular pack solutions, continues to progress positively, albeit COVID and supply chain challenges have meant the progress with our application development partners is taking longer than anticipated. These products are applicable to multiple high growth, un-commoditised industrial markets that are adopting either a low carbon power source, or an off-grid power source.

We continue to develop our supply chain partnerships with cell manufacturers focussed on additional lithium and non-lithium chemistries such as lithium iron phosphate and nickle metal hydride.

Lithium iron phosphate has performance characteristics which are well suited to higher peak power applications which we are developing for Combustion Engine Replacement Programmes (CERP). Nickle metal hydride cell voltage remains constant until the battery is almost completely discharged, and they have a wide operating temperature range which means they are well suited to applications which require small, lightweight, portable, and handheld applications.

We are keeping pace with the emerging solid state battery technology being driven by the automotive sector. We remain a subject matter expert offering our customers the most appropriate chemistry for their given application.

Developing product range for strategic growth markets

The Group's opto-electronic component manufacturing team is continuing to develop the portfolio of optical sensing components that are supplied to tier one OEMs within the medical sector. We are also developing our COTS (commercial off-the-shelf) own brand portfolio of optical components which will enable these products to be sold internationally.

Following the acquisition of Willow, our Components Division supplies all the major components used within EV charging posts including: electromechanical switches, contactors, displays, Bluetooth and cellular interfaces and the embedded processing.

The addition of the Active Silicon's vision and image processing technology and circuit board level design, combined with our industrial embedded computing and engineering capability, has enabled our enlarged Systems Division to provide more integrated system solutions for our strategic growth markets for industrial image processing. A good example of this is the transport sector where the Group's new hardware products and solutions deliver next generation technology for automatic number plate recognition (ANPR) and various rail accredited image processing and monitoring applications.

Enhancing our technical manufacturing expertise

As reported at year end, the Group has made significant investments further enhancing its manufacturing and assembly capabilities with new automated die bonding capabilities, state of the art spectrum analysis equipment and an in-house electromagnetic compatibility (EMC) chamber which was commissioned during first quarter of FY21/22. The die bonder significantly increases throughput and quality, enhancing our capability to manufacture die level optical sensor components primarily for medical applications. The chamber now gives us the ability to complete pre-compliance EMC testing in-house. These facilities combined with technical and engineering expertise mean the Group has a differentiated offering, providing class leading manufacture, test and measurement capabilities which are utilised across the Group.

In a similar vein, the Group is planning to enhance its environmental chamber to enable the Group to conduct pre-compliance testing of its products to aerospace standards.

During Q2, the Power business unit ordered its first wire bonder to enable semi automation of pack manufacturing. In addition to the investment in manufacturing equipment, we continue to enhance our capabilities and accreditations such as ATEX and our certification to build battery packs that are used in explosive atmospheres. Pleasingly, we are seeing growth in this particular niche capability.

Industry leading talent development

Talent development and engagement is a core value of the Group and is a strength which underpins the retention of our industry leading team. The increasing size and scale of the Group provides additional opportunities for development.

The acquisitions of both Willow and Active Silicon have added significant talent to the Group across all areas. In particular, Active Silicon strengthening the Systems Division's engineering capabilities.

Our Components Division has continued to invest in external talent building the cleanroom expertise in opto-electronic component manufacturing in Weymouth and in the new year an industry leading expert will join the sourcing team.

Likewise, the Systems Division has also added expertise, with additions to procurement and finance across the division and engineering resource in the Power business unit. This growing talent pool will underpin both Divisions' ability to deliver future growth. The Group continues to actively seek additional skills across the business to drive the exciting organic growth opportunities which the Group is targeting.

Financial Review

Group revenue is up 19% at £39.4m (H1 2020/21: £33.1m) with the Group benefiting from the acquisitions of Willow Technologies and Active Silicon completed at the end of last financial year.

Reported revenue growth was depressed due to a weaker US dollar, although the profit effect was mitigated by a natural hedge from component purchases also denominated in US dollars, resulting in an enhanced gross margin percentage. Underlying revenue on a like for like and constant exchange rate basis reflects organic growth of approximately 8%, however, this has been significantly held back as a result of the component shortages and extended lead times.

The Group has continued to benefit from demand in government funded sectors such as transport, security, and defence. Revenues in the Components Division of £24.1m (H1 2020/21: £19.5m) benefitted from the acquisition of Willow Technologies, where its electromechanical products have been less significantly impacted by the semiconductor shortages. The Systems Division revenues of £15.2m (H1 2020/21: £13.5m) likewise benefitted from the Active Silicon acquisition. Power business unit (BU) revenues are slightly down on a record first half in the prior year. This is primarily due to customer design in programmes progressing more slowly due to the combination of COVID, compounded by the extended component and cell lead times. However, the level of design activity and the order book is strong which provides confidence for FY23 and beyond. Demand in our Computing Systems and Communications business units has been growing and our inventory holdings has enabled us to deliver despite the extended lead times. The Group's diversity provides some resilience enabling the Group to mitigate projects delays in any given area.

First half order intake has been at record levels across the Group with a recovery in sectors hit hard by COVID such as energy and commercial aerospace. Lengthening lead times mean the benefit of this is not reflected in H1 and the billings benefit is not expected to be realised until FY22/23 and beyond.

Group gross margins saw a significant improvement to 32.7% (H1 2020/21: 29.9%) albeit there is a circa 1% gain from the weaker US dollar as noted above. FX aside, underlying Group margins have benefitted from the strategic actions, both organic and acquisitive, to enhance the mix of products sold, increasing the proportion of own brand products and high value-added systems, solutions, and services which command high margins.

Reported overheads have increased to £10.7m (H1 2020/21: £7.5m) principally due to; the additional share-based payment and amortisation of acquisition intangibles totalling circa £0.7m, the additional overhead associated with the acquisitions adding circa £2.0m, and a £0.5m increase in overheads as post COVID activities start to return to normal levels, albeit overheads remain below pre COVID levels.

Adjusted operating margin, an increasingly important measure of Group performance, has increased to 8.6% (H1 2020/21: 7.8%). The Components Division has seen improvement in adjusted operating margin, benefitting from the richer mix with more own brand components and reduced bad debt expense compared to the prior COVID year. This has been offset by investment in talent and modest dilution arising from the Active Silicon acquisition (albeit lower than expected) in the Systems Division.

Adjusted profit before tax for the first half is up 28% at £3.27m (H1 2020/21: £2.55m). As a result of the impact of IFRS3 acquisition accounting charges and higher share-based payments charges, reported profit before tax was down at £2.11m (H1 2020/21: £2.37m). This is reported after a share-based payments charge of £0.18m (H1 2020/21: £Nil), amortisation of acquisition intangibles at £0.51m (H1 2020/21: £0.18m), an increase to the earn out deferred consideration of £0.30m (H1 2020/21: £Nil) and the unwind of the stock fair value adjustment of £0.17m (H1 2020/21: £Nil). The fair value adjustment to the deferred contingent consideration and the fair value of stock adjustment are expected to be one-off in nature whereas the amortisation and share based payments will be incurred at a similar level in the second half.

Adjusted profit after tax was also up 28% at £2.85m (H1 2020/21: £2.22m). Reported profit after tax was £1.73m (H1 2020/21: £2.08m).

Going forward, the increase in corporate tax rates to 25% from 19% for the financial year 2023-24 will result in an increased effective tax rate albeit the benefit of R&D tax credits will continue to mean our effective rate is below the standard rate of corporation tax.

This translates to an excellent start to our financial year with adjusted diluted earnings per share at 32.7p (H1 2020/21: 25.6p) and with basic EPS of 20.2p (H1 2020/21: 24.3p). The inflow of cash from operating activities was £4.8m (H1 2020/21 inflow £1.9m) giving an adjusted operating cash conversion of 148% (H1 2020/21: 72%).

During the period we invested in a significant increase in inventories, however, most cash payments for these inventories fell into the second half, which combined with effective cash collections resulted in a working capital inflow for the first half. With component shortages expected to continue into FY23, we anticipate working capital outflows in excess of £3.0m in the second half reflecting cash committed to both inventory and proforma payments to secure inventories.

The Group has invested £0.8m in capital projects (H1 2020/21 £0.1m) reflecting resumed confidence after new planned capex projects were suspended in the comparative period. Deferred consideration for acquisitions totals £5.25m (31 March 2021: £7.52m) after settlement of the Completion Accounts balances totalling £2.6m and an increase in fair value due to performance exceeding initial expectations posted in H1 of £0.3m.

The Group has net cash with banks which stood at £3.32m on 30 September 2021 (£3.16m on 31 March 2021) following a small net cash inflow in the first half. Net debt at 30 September 2021 was down 56% to £1.93m (31 March 2021: £4.36m) which includes the remaining deferred contingent consideration of £5.25m.

Our cash reserves in addition to our £7.5m bank facilities mean the Group is in a strong financial position to fund future working capital requirements, capital investment and acquisition opportunities as they arise.

Dividends

The Board typically declares an interim dividend which is approximately 1/3 of the anticipated full year dividend. The Board is pleased to be able to continue to adopt this approach in the current period. Based on the trading performance in the first half of the year and prospects for the full year, the Board has decided to declare an increase in the interim dividend of 19% to 6.25p per share (H1 2020/21: 5.25p).

The interim dividend will be paid on 18 February 2022 to shareholders on the register at the close of business on 28 January 2022. The shares will go ex-dividend on 27 January 2022.

Statement of Directors' Responsibilities

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated interim financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

Forward-looking statements

Certain statements in this half year report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to be correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

We undertake no obligation to update any forward-looking statements whether arising as a result of new information, future events or otherwise.

Outlook

Having completed two acquisitions at the end of our last financial year, the first half has seen a record underlying trading period, against an extremely challenging market backdrop. The Group's strategy and focus on ensuring we have sector, product and customer diversity to provide a resilient business model has continued to prove its value.

The development in capabilities which the Group now has to offer (including enhanced component manufacturing in opto-electronics and electro-mechanical components, enhanced test and measurement and circuit board level design and manufacturing) positions the Group to be able to engage with its tier one customers on opportunities which we would not have been able to target previously.

Our cross-division collaboration, offering the full range of Group capabilities and products means the Group continues to be well placed to deliver organic growth, developing own brand products and solutions for the Group's target growth markets.

In delivering the Group's strategy of complementing organic growth with strategically aligned M&A, the Group has focused its M&A efforts in two areas: facilitation of the internationalisation of the Group and acquisition of additional products / technology / IP and knowhow which is accelerating progress in our target growth markets beyond inhouse development to deliver additional shareholder value. We have a 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.

The open order book stood at record level of £70.3m as at 30 November 2021. The order intake has remained strong in the post balance sheet period with customers continuing to place longer order schedules to help manage and mitigate supply chain challenges. We have seen continued demand across all sectors including those which had previously shown some weakness during the Pandemic, specifically the energy and aerospace sectors. Trading since the end of the first half of the year has been in-line with management expectations albeit component lead times mean that the conversion of orders into billings is significantly extended.

Whilst there is still some uncertainty as to potential impacts of component shortages and lead times for the remainder of our financial year and in to FY22/23, the Board is confident of meeting its expectations for the year ending 31 March 2022. There is potential upside in the second half of the year, delivery of which is dependent upon careful management of the constraints imposed by supply chain challenges.

Finally, the Board continues to recognise that the excellent progress and execution of the Group's strategy is only possible because of the hard work and contribution from our staff across the whole of the Group. Consequently, the Board would like to extend its thanks to all Group employees.

Gary Marsh
Chief Executive Officer

INTERIM CONSOLIDATED INCOME STATEMENT
for the six months ended 30 September 2021

	Unaudited Six months to 30 Sept 21 £'000	Unaudited Six months to 30 Sept 20 £'000	Audited Year to 31 Mar 21 £'000
Continuing Operations			
Revenue	39,381	33,073	66,281
Cost of sales	(26,495)	(23,184)	(46,362)
Gross profit	12,886	9,889	19,919
Sales, general and administration expenses	(10,671)	(7,477)	(15,634)
Profit from operations	2,215	2,412	4,285
Finance costs	(106)	(39)	(85)
Profit before taxation	2,109	2,373	4,200
Taxation expense	(379)	(296)	(247)
Adjusted profit after taxation	2,845	2,219	4,733
Adjustments to profit	(1,115)	(142)	(780)
Profit after taxation	1,730	2,077	3,953
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	1,730	2,077	3,953
Other comprehensive income	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,730	2,077	3,953
Earnings per share (see note 6)			
Basic EPS from profit for the period	20.2p	24.3p	46.4p
Diluted EPS from profit for the period	19.8p	24.0p	45.7p

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2021 (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 2020	427	3,626	(7)	5	18,521	(43)	22,529
Total comprehensive income for the period	-	-	-	-	2,077	-	2,077
Foreign exchange	-	-	(2)	-	-	-	(2)
Dividends	-	-	-	-	(620)	-	(620)
Share issue	1	(1)	-	-	-	-	-
Balance at 30 September 2020	428	3,625	(9)	5	19,978	(43)	23,984
Total comprehensive income for the period	-	-	-	-	1,876	-	1,876
Purchase of treasury shares	-	-	-	-	-	(95)	(95)
Foreign exchange	-	-	15	-	-	-	15
Transfer of treasury shares to All Employee Share Plan	-	-	-	-	(68)	68	-
Dividends	-	-	-	-	(449)	-	(449)
Share based payment credit	-	-	-	-	171	-	171
Balance at 31 March 2021	428	3,625	6	5	21,508	(70)	25,502
Total comprehensive income for the period	-	-	-	-	1,730	-	1,730
Foreign exchange	-	-	35	-	-	-	35
Dividends	-	-	-	-	(920)	-	(920)
Share based payment credit	-	-	-	-	179	-	179
Balance at 30 September 2021	428	3,625	41	5	22,497	(70)	26,526

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
on 30 September 2021

	Unaudited as at 30 Sept 21 £'000	Unaudited as at 30 Sept 20 £'000	Audited as at 31 Mar 21 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3,404	2,553	2,981
Right of use lease assets	2,206	1,924	2,476
Intangible assets	16,027	8,018	16,557
TOTAL NON-CURRENT ASSETS	21,637	12,495	22,014
CURRENT ASSETS			
Inventories	12,728	8,762	10,629
Trade and other receivables	14,986	12,091	14,222
Deferred tax asset	203	86	188
Cash and cash equivalents	5,323	3,952	6,914
TOTAL CURRENT ASSETS	33,240	24,891	31,953
TOTAL ASSETS	54,877	37,386	53,967
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	(12,759)	(6,388)	(11,890)
Contract liabilities	(2,720)	(2,642)	(2,299)
Deferred consideration on acquisitions - current	(4,200)	-	-
Corporation tax liabilities	(986)	(1,118)	(801)
Right of use lease liabilities	(694)	(518)	(741)
TOTAL CURRENT LIABILITIES	(21,359)	(10,666)	(15,731)
NON-CURRENT LIABILITIES			
Non-current borrowings	(2,000)	-	(3,750)
Provisions	(694)	(697)	(741)
Deferred tax liability	(1,666)	(507)	(1,491)
Right of use lease liabilities	(1,582)	(1,532)	(1,802)
Deferred consideration on acquisitions	(1,050)	-	(4,950)
TOTAL NON-CURRENT LIABILITIES	(6,992)	(2,736)	(12,734)
TOTAL LIABILITIES	(28,351)	(13,402)	(28,465)
TOTAL NET ASSETS	**26,526**	**23,984**	**25,502**
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	428	428	428
Share premium reserve	3,625	3,625	3,625
Capital redemption reserve	5	5	5
Foreign exchange reserve	41	(9)	6
Retained earnings	22,497	19,978	21,508
Shares held in treasury	(70)	(43)	(70)
TOTAL EQUITY	**26,526**	**23,984**	**25,502**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 September 2021

	Unaudited Six months to 30 Sept 21 £'000	Unaudited Six months to 30 Sept 20 £'000	Audited Year to 31 Mar 21 £'000
OPERATING ACTIVITIES			
Profit before taxation	2,109	2,373	4,200
Adjustments for:			
Property, plant and equipment depreciation	326	220	614
Right of use asset depreciation	365	254	497
Amortisation	691	348	978
(Profit) / loss on disposal of property, plant and equipment	(14)	(4)	(22)
Share based payment expense	179	-	171
Finance costs	106	39	85
Profit from operations before changes in working capital and provisions	3,762	3,230	6,523
(Increase) / decrease in inventories	(2,084)	886	1,852
(Increase) / decrease in trade and other receivables	(731)	1,735	1,925
Increase / (decrease) in trade and other payables	4,084	(3,988)	(3,363)
Decrease in provisions	(47)	(7)	(7)
Cash generated from operations	4,984	1,856	6,930
Income taxes (paid) / received	(13)	51	(432)
	(13)	51	(432)
Net cash flows from operating activities	4,971	1,907	6,498
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(756)	(98)	(356)
Capitalised own costs and purchase of intangible assets	(160)	(153)	(302)
Proceeds from sale of property, plant and equipment	33	14	77
Payments for acquisition of subsidiaries net of cash acquired	(2,572)	-	(4,119)
Net cash flow from investing activities	(3,455)	(237)	(4,700)
FINANCING ACTIVITIES			
Repurchase of ordinary shares into treasury	-	-	(95)
Borrowings drawn	-	-	3,750
Borrowings repaid	(1,750)	(333)	(333)
Payment obligations for right of use assets	(394)	(239)	(575)
Interest paid	(75)	(22)	(37)
Dividends paid to equity shareholders	(920)	(620)	(1,069)
Net cash flow from financing activities	(3,139)	(1,214)	1,641
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(1,623)	456	3,439

	Unaudited as at 30 Sept 21 £'000	Unaudited as at 30 Sept 20 £'000	Audited as at 31 Mar 21 £'000
Translational foreign exchange on opening cash	32	(21)	(42)
Net (decrease) / increase in cash and cash equivalents	(1,623)	456	3,439
Cash and cash equivalents brought forward	6,914	3,517	3,517
Cash and cash equivalents carried forward	5,323	3,952	6,914

	Unaudited as at 30 Sept 21 £'000	Unaudited as at 30 Sept 20 £'000	Audited as at 31 Mar 21 £'000
Represented by:			
Cash available on demand	5,323	3,952	6,914

NOTES TO THE INTERIM REPORT
for the six months ended 30 September 2021

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 2021, 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 2021 have been prepared in accordance with IAS 34, 'Interim financial reporting', as contained in UK-adopted International Accounting Standards. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2021, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The consolidated interim financial statements have been prepared in accordance with the recognition and measurement principles of UK-adopted International Accounting Standards expected to be effective at the year end of 31 March 2022.

In assessing going concern the Directors gave careful consideration of the potential impact of the on-going COVID pandemic and the global electronic component shortages on the cashflows and liquidity of the Group over the next 12 month period.

Throughout the COVID pandemic, and the United Kingdom's exit from the European Union, customer demand has remained solid and in recent months we have continued to see customers extending order cover to help to manage the global electronics supply chain issues. The most significant impact on the Group future performance is the uncertainty arising from the extending electronic component lead times. Management have taken all possible actions to minimise and mitigate the potential impact of shortage.

If shortages continue into the later part of the financial year 2021/22 as expected the risk does have the potential to adversely impact performance. While the actions do not mitigate the risk fully it certainly has significantly reduced the impact in the first half of 2021/22 and positions the Group to manage the period beyond as effectively as possible. In assessing going concern for the period ended 30 September 2021, the financial modelling applied various sensitivity scenarios to a base case to 31 March 2023 which was prepared based on an extension of the budget for FY21/22.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months, therefore it is appropriate to adopt a going concern basis for the preparation of the interim financial information. Accordingly, this interim financial information does not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group and Company were unable to continue as a going concern.

2. Accounting policies

The accounting policies are unchanged from the financial statements for the year ended 31 March 2021 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 2021.

Additional disclosure of the basis of measurement and policies in respect of financial instruments are described on pages 102 to 108 of our 31 March 2021 Annual Report and remain unchanged at 30 September 2021.

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 2021.

Impairment

No Impairment charges have been recognised in the period to 30 September 2021.

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 2021/22 and will be adopted in the financial statements for the year ended 31 March 2022:

- Amendments to IFRS 9, IAS 39, IFRS 17: – Interest rate benchmark reform.

The adoption of these standards and amendments has not had a material impact on the interim financial statements.

3. Principal risks and uncertainties

The principal risks and uncertainties impacting the Group are described on pages 11 to 15 of our 31 March 2021 Annual Report and remain unchanged at 30 September 2021.

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

4. Segmental information

	Unaudited Six months to 30 Sept 21 £'000	Unaudited Six months to 30 Sept 20 £'000	Audited Year to 31 Mar 21 £'000
Revenue			
Systems	15,234	13,546	27,299
Components	24,147	19,527	38,982
Group revenue	**39,381**	**33,073**	**66,281**

5. Adjusted profit measures

	Unaudited Six months to 30 Sept 21 £'000	Unaudited Six months to 30 Sept 20 £'000	Audited Year to 31 Mar 21 £'000
Acquisition fair value adjustments within cost of sales	168	-	72
Acquisition fair value adjustments and reorganisation costs	300	-	264
Amortisation of acquisition intangibles	514	176	680
Share based payments	179	-	171
Taxation effect	(221)	(34)	(226)
Deferred tax rate change impact on acquisition intangibles and share based payments	175	-	-

Non-recurring tax credits	-	-	(181)
Total adjustments to profit	**1,115**	**142**	**780**
Reported gross profit	12,886	9,889	19,919
Adjusted gross profit	13,054	9,889	19,992
Reported operating profit	2,215	2,412	4,285
Adjusted operating profit	3,374	2,588	5,472
Reported operating profit margin percentage	5.6%	7.3%	6.5%
Adjusted operating profit margin percentage	8.6%	7.8%	8.3%
Reported profit before tax	2,109	2,373	4,200
Adjusted profit before tax	3,268	2,549	5,387
Reported profit after tax	1,730	2,077	3,953
Adjusted profit after tax	2,845	2,219	4,733

6. Earnings per share

The earnings per share is based on the following:

	Unaudited Six months to 30 Sept 21 £'000	Unaudited Six months to 30 Sept 20 £'000	Audited Year to 31 Mar 21 £'000
Adjusted continuing earnings post tax	2,845	2,219	4,733
Reported continuing earnings post tax	1,730	2,077	3,953
Weighted average number of shares	8,550,531	8,556,193	8,524,883
Diluted weighted average number of shares	8,698,270	8,668,786	8,650,237
Reported EPS			
Basic EPS from profit for the period	20.2p	24.3p	46.4p
Diluted EPS from profit for the period	19.8p	24.0p	45.7p
Adjusted EPS			
Adjusted basic EPS from profit for the period	33.2p	25.9p	55.5p
Adjusted diluted EPS from profit for the period	32.7p	25.6p	54.7p

7. Dividends

Dividends paid during the period from 1 April 2020 to 30 September 2021 were as follows:

23 September 2020	Final dividend year ended 31 March 2020	7.25p per share
19 February 2021	Interim dividend year ended 31 March 2021	5.25p per share
24 September 2021	Final dividend year ended 31 March 2021	10.75p per share

The Directors are intending to pay an interim dividend for the year ending 31 March 2022 on 18 February 2022 of 6.25p per share. This dividend has not been accrued at 30 September 2021.

8. Share capital

	Unaudited	Unaudited	Audited

	Six months to 30 Sept 21	Six months to 30 Sept 20	Year to 31 Mar 21
Allotted issued and fully paid			
Number of ordinary 5p shares	8,564,878	8,564,878	8,564,878

	Unaudited Six months to 30 Sept 21 £'000	Unaudited Six months to 30 Sept 20 £'000	Audited Year to 31 Mar 21 £'000
Allotted issued and fully paid			
Ordinary 5p shares	428	428	428

9. Related party transactions

Consistent with the year ended 31 March 2021 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 the remuneration report in the annual report to the 31 March 2021 and will be updated in the full year report to the year ending 31 March 2022. There are no other related party transactions.

10. Non-current assets

	Unaudited Six months to 30 Sept 21 £'000	Unaudited Six months to 30 Sept 20 £'000	Audited Year to 31 Mar 21 £'000
Goodwill	9,898	6,300	9,898
Acquisition intangibles	5,923	1,537	6,436
Research and development	50	100	100
Software	156	81	123
Intangible assets	16,027	8,018	16,557
Property plant and equipment	3,404	2,553	2,981
Right of use asset	2,206	1,924	2,476
Total non-current assets	21,637	12,495	22,014

11. Net Debt

	Unaudited Six months to 30 Sept 21 £'000	Unaudited Six months to 30 Sept 20 £'000	Audited Year to 31 Mar 21 £'000
Bank borrowing due within one year	-	-	-
Bank borrowing due after one year	(2,000)	-	(3,750)
Total borrowings	(2,000)	-	(3,750)
Deferred consideration on acquisitions within one year	(4,200)	-	(2,572)
Deferred consideration on acquisitions after one year	(1,050)	-	(4,950)
Cash and cash equivalents	5,323	3,952	6,914
(Net debt) / net cash	(1,927)	3,952	(4,358)

During the period we have reviewed the fair value of the deferred contingent consideration which was provided at the year end. As a result of the improved performance of the acquired business we concluded that it was appropriate to increase the provision for deferred contingent consideration by £0.30m in the period. This has been expensed through P&L and has been excluded from the adjusted performance metrics as an exceptional item as set out in note 5.

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