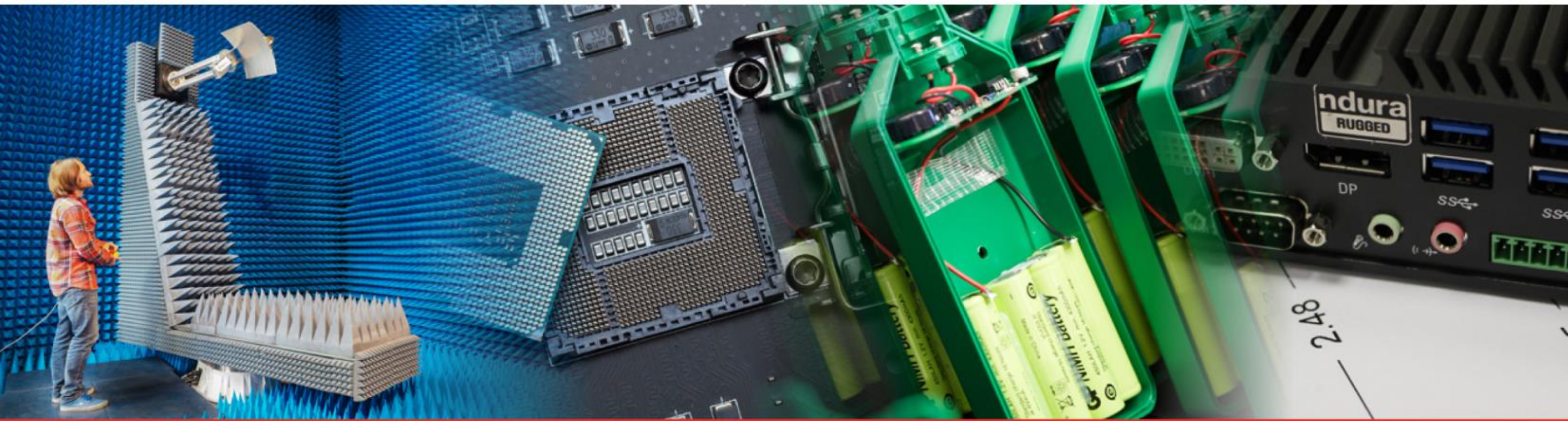
SOLID STATE PLC

DESIGN - MANUFACTURE - DISTRIBUTION

INTERIM REPORT SEPTEMBER 30th 2018



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DIRECTORS, SECRETARY AND ADVISERS

Directors:	Anthony Brian Frere, *Chairman* Gary Stephen Marsh, *Chief Executive Officer* Peter Haining, FCA, Non-Executive *Director* John Michael Lavery, Non-Executive *Director* John Lawford Macmichael, *Director* Matthew Thomas Richards*, Director* Peter Owen James, FCA, *Director*
Company Secretary and Registered Office:	Peter Haining, FCA **Solid State plc** 2 Ravensbank Business Park Hedera Road Redditch B98 9EY
Company Number:	00771335
Nominated Adviser and Broker:	**W H Ireland Limited** 24 Martin Lane London EC4R 0DR
Joint Broker:	**finnCap Limited** 60 New Broad Street London EC2M 1JJ
Auditors:	**haysmacintyre** 10 Queen Street Place London EC4R 1AG
Solicitors:	**Shakespeare Martineau LLP** 1 Colmore Square Birmingham West Midlands B4 6AA
Bankers:	**Lloyds Bank PLC** 125 Colmore Row Birmingham West Midlands B3 3SF
Registrars:	**Neville Registrars Limited** Neville House 18 Laurel Lane Halesowen Birmingham B63 3DA
Country of Incorporation of Parent Company:	Great Britain
Legal Form:	Public Limited Company
Domicile:	Great Britain

Unaudited Interim Results of the six months ended 30 September 2018

I am pleased to report on a period which demonstrates further progress in our strategy for delivering sustainable profitable growth.

Group revenue for the period increased by 4% to £23.5m (2017: £22.5m), reflecting good trading in both the Value Added Distribution and Manufacturing divisions. In this period, the Group's gross margin has marginally increased to 29.1% (H1 2017: 28.4%) reflecting improved underlying margins in both divisions. This strong trading performance translates into a 5% increase in earnings per share to 16.9p (2017: 16.1p).

As reported in our October trading update, the Board considers prospects for the year to be positive and expects the Group to deliver a strong performance in H2. This is underpinned by the strong open order book and the resilience of the Group, which results from its broad base of products and clients in a range of market sectors. The Board is confident of meeting the recently increased market expectations for the year as a whole.

Highlights in the period include:

Financial:

	2018	2017	Change	
Revenue	**£23.5m**	£22.5m	**£1.0m**	**+4%**
Adjusted gross profit margin	**29.1%**	28.4%	**0.7%**	**+70bps**
Adjusted profit before tax	**£1.7m**	£1.6m	**£0.1m**	**+6%**
Adjusted diluted earnings per share (note 6)	**16.9p**	16.1p	**0.8p**	**+5%**
Interim dividend	**4.2p**	4.0p	**0.2p**	**+5%**
Interim dividend cover	**3.3x**	3.3x	**0.0x**	**-**

Operational:

- Organic growth in the Value Added Distribution division of 26% with improved margins.
- Revenues in the Manufacturing division are expected to be second half weighted; however gross margins have improved in the first half due to the sales product mix.
- Continued investment in research & development.
- Investment in high volume production capability for battery packs for industrial autonomous robots has been completed, with initial production revenues now commenced and delivery for the initial order scheduled through to mid-2019.
- Continued development in own brand computing products.
- Significant contract wins previously announced have resulted in a strong Group open order book as at 31/10/18 of £29.4m (31/10/17: £20.1m) up 46%.
- Securing the exclusive VPT franchise announced in April 2018 is expected to positively impact Value Added Distribution revenues in the second half.
- Post period end - acquisition of Pacer Technologies Limited for £3.73m, subject to a net asset adjustment. On an annualised basis the acquired business is expected to add circa £15.0m revenues and £0.5m operating profit to the Value Added Distribution division.

Unaudited Interim Results of the six months ended 30 September 2018

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 has three key elements:

1) Investment in our people, our technical knowledge and our capabilities, to ensure we remain at the forefront of electronics technology and be the 'go to' technical solutions provider of choice, enabling us to develop and maintain long term client relationships as a trusted adviser with the sector 'know how'.
2) Continue to develop our strategic partnerships with customers and suppliers within the electronics industry, building our portfolio of value added services.
3) Targeting strategic acquisitions which are aligned with our core capabilities which provide access to new markets or deepen our knowledge and ability to enhance the value we can add to our customers.

Unaudited Interim Results of the six months ended 30 September 2018

The review of business below sets out the progress we have made within our divisions in implementing our strategy.

Financial Review

Group revenue for the period increased 4% to £23.5m (H1 2017: £22.5m).

The Value Added Distribution division has had a particularly strong period, delivering 26% organic growth in revenues to £12.0m (H1 2017: £9.5m) whilst slightly improving margins. In achieving this growth, the Division benefitted from a one-off client order of circa £1.0m. This significant growth meant that Value Added Distribution generated just over half of Group revenues in H1. Revenues in the Manufacturing division of £11.5m (H1 2017: £12.9m) were down on the prior year, however, the gross margin percentage improved due to a richer sales product mix in the period.

Group margin improved 0.7% to 29.1% (H1 2017: 28.4%). A margin increase in Manufacturing and a slight rise in the Value Added Distribution margins enabled this improvement to be achieved despite the change in split between the divisions. Group margin also benefitted from foreign exchange tailwinds of approximately £0.2m in the first half, (primarily benefitting the Value Added Distribution division).

The investments made in the prior period in sales and marketing to drive long term organic growth and margin enhancement across the Group are delivering results as evidenced by our strong open order book. These investments combined with cost inflation mean that overheads have increased to £5.5m (H1 2017: £5.1m). This primarily reflects overhead inflation of circa £0.2m and additional sales overhead costs circa £0.2m.

Adjusted profit before tax for the first half was up 7% to £1.66m (H1 2017: £1.55m). Reported profit before tax was up 5% to £1.33m (H1 2017: £1.27m) which is reported after a share based payments charge of £0.08m (H1 2017: £0.08m), amortisation of acquisition intangibles of £0.11m (H1 2017: £0.11m) and acquisition and re-organisation costs of £0.15m (H1 2017: £0.10m).

Adjusted profit after tax was up 7% to £1.46m (2017: £1.37m) and reported profit after tax was up 8% to £1.19m (2017: £1.10m).

Adjusted diluted earnings per share from continuing operations were up 5% to 16.9p (2017: 16.1p) with basic EPS up 7% to 14.0p (2017: 13.1p).

Group order intake in the period increased by 38% to £33.3m (2017: £24.2m) and as at 31 October 2018 the open order book amounted to £29.4m (31 October 2017: £20.1m), the majority of which is expected to be delivered in the next 12 months.

Cash flow from operations

The inflow of cash from operating activities was £2.2m (H1 2017 outflow £1.2m), primarily due to a working capital cash inflow of £0.2m compared with H1 2017 outflow of £3.0m. Underlying cash profit from operations before working capital was broadly stable at £1.9m (H1 2017: £1.8m).

The underlying cash inflow from operating activities in the period was £1.2m, as the working capital inflow in the first half has benefitted from circa £0.9m advanced payments from customers for projects in H2. Therefore the underlying working capital movement is an outflow of £0.7m. This primarily reflects £0.3m investment in inventories and an increase in underlying receivables arising from the Value Added Distribution sales growth.

Dividends

The Directors are declaring an increased interim dividend of 4.2p per share (H1 2017: 4.0p) which is covered 3.3 times by earnings (H1 2017: 3.3 times).

The interim dividend will be paid on 15 February 2019 to shareholders on the register at the close of business on 25 January 2019. The shares will go ex-dividend on 24 January 2019.

Unaudited Interim Results of the six months ended 30 September 2018

Business Overview

The Solid State Group has two operating divisions; Value Added Distribution and Manufacturing. These Divisions have distinct characteristics in their market places; however, they have a common mission, a clear delivery strategy, and consistent business values.

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, often resulting in a trusted adviser relationship with our customers. This co-operation and collaboration is valued by our clients, 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 where appropriate.

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, scale and distribution.

The Group is focused on the supply and support of specialist electronics equipment through its Value Added Distribution and Manufacturing divisions. The Value Added Distribution division is a market leader in delivering innovative, valuable, technical solutions for customers seeking specialist electronic components and displays.

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

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.

The Board is delighted with the recent acquisition of Pacer Technologies Limited. Strategic acquisitions remains a key part of the Group's mid-term growth strategy. Our acquisition strategy is to identify targets which complement the Group's products and niche markets, or enhance our IP or capabilities, which will deliver additional shareholder value. The Board has, and will continue to, apply its rigorous due diligence processes in implementing its acquisition strategy.

Divisional Review

Manufacturing Division

Trading under the Steatite brand, our Manufacturing division is a leading UK provider of specialist computing, power and communications technologies. Key to its strategy is the ability to design, manufacture and test to customer requirements, and against the most stringent of standards and qualifications, products for use in some of the World's harshest environments.

The Manufacturing division's strength and resilience over an extended period has come in large part from its market diversity. As well as market sector mix, it benefits from a wide range of products and services which further enhance the Group's overall resilience.

The business addresses its markets with discrete business units in the following sectors; Computing, Power and Communications. In our Computing business unit, we offer simple motherboard and memory products at one end of the scale through to complex military-certified and classified integrated bespoke computer solutions at the other end. The Power proposition ranges from the sale of a simple battery cell through complex industrial battery packs to integrated energy storage solutions. Communications encompasses the resale of third party radio products and advanced antenna solutions that are conceived, designed, manufactured and tested in-house. The product margins reflect the technical complexity, the level of value added service and build times applied.

What ties the business solutions together across all markets and product offerings is the need to address "Size, Weight and Power (SWaP)", together with the need for a safety first approach, domain experience and the agility we offer as a British based supplier. These are key decision factors for Steatite customers.

Revenue for the Manufacturing division was down on the comparative period at £11.5m (H1 2017: £12.9m), however, gross margin improved to 33% (H1 2017: 31%), as a result of a favourable mix of sales and customers recognising the added value provided in our solutions. The Manufacturing division's open order book going into the year was second half weighted, which is expected to result in an improved sales performance in H2.

The sales and engineering teams have been consolidated and refocused in H1 to drive value. The sales emphasis has been on winning more complex value added business and strengthening the order book moving into the next year. Our experienced industry leading engineering teams continue to invest in the development of solutions for extreme and harsh environments, covering a broad spectrum of technologies and applications encompassing advanced power solutions and computing platforms.

The increased marketing effort has been applied to increase quality lead generation, to support the focused sales activities where we have concentrated on key account development and growing the order book, to ensure the Division is in a position to deliver stronger financial performance in the second half.

In parallel to building the open orderbook, operationally we have continued to implement the planned investments in personnel, equipment and facilities in our Power business in Crewkerne, with a focus on automation to pave the way for enhanced sales volume in H2 and improved efficiency. This represents an important operational cornerstone, enabling the Division to deliver the growth and margin initiatives to drive improved performance in the second half and future years.

Value Added Distribution Division

The Value Added Distribution division, trading under the Solid State Supplies and Ginsbury brands, distributes specialist components to the UK OEM community; selling semiconductors, related components and modules for embedded processing, IoT, control and communications, power management units and LED lighting.

The first half of FY 2018 saw the benefits of the investments made in prior years. The Value Added Distribution division has delivered a 26% increase in reported revenues at £12.0m (H1 2017: £9.5m). This reflects a one-off client order of circa £1.0m as well as underlying organic growth of circa 15% across the customer base as a whole with the military market sector showing particularly strong growth.

The added value margin enhancement programmes continue to be effective and the improvement in underlying margins was achieved despite downward competitive pressure on prices. Reported margins however have improved further as a result of the foreign exchange tailwinds in the first half.

The Division has made good progress in developing its key customer accounts. Increased revenues attest to the wider range of products now available and recognise the increasing value of the Division to its customer base. Examples of the value added services are sourcing and obsolescence, which have started to contribute at meaningful levels. The device programming services deliver strong repeat bookings and billings, demonstrating the real value of these services in maintaining customers and in providing higher margin business.

The investment in technical sales personnel continues to pay dividends in finding and securing new business, whilst at the same time increasing customers' confidence in the expertise of the Division. Attracting and securing the exclusive VPT franchise announced in April 2018 attests to this and this new franchise is expected to positively impact the second half.

The progress made in line with our strategy means our Value Added Distribution division continues to outperform all metrics published by the industry association body ECSN and is well positioned for a strong second half**.**

Acquisition of Pacer Technologies Limited - post period end

On 9 November 2018, the Group acquired Pacer Technologies Limited ('Pacer') for a cash consideration of up to £3.73m subject to a net asset adjustment. The consideration was settled out of Group resources and new banking facilities provided by Lloyds Bank plc.

Pacer was established in 1989 to specialise in the distribution and custom design of optoelectronic components, lasers and displays to the OEM market in the medical, military, commercial, industrial and security sectors. Serving an international client base, Pacer has a reputation for supplying high quality components in a customer-centric manner, often involving custom design and manufacturing to address individual needs.

Pacer operates in two areas, Components and Displays, supplying world class blue chip companies. The Components business is distribution based with a smaller proportion of its sales derived from manufacturing, own brand and assembly based products. Products include industrial LEDs and light sources, lasers and laser range finders, photon detection and counting equipment. The Displays business complements and enhances that of Solid State Supplies. Products include industrial and commercial grade displays.

Geographically, Pacer has an established US business which is based in Florida which provides the Group with an opportunity to further develop its US activities. In the UK, Pacer operates from offices in Pangbourne, a value added production facility in Weymouth, and a sales office in Crawley.

For the year ended 31 March 2018, Pacer reported revenue of £15.2m, and a profit before tax of £0.43m. At as 31 March 2018 Pacer had net assets of £1.06m and net debt of £1.53m.

In completing this deal, the Group's primary banker Lloyds Bank plc has put in place committed facilities comprising £6.0m of term loans and a £3.5m revolving credit facility to fund the consideration and the working capital requirements of the enlarged Group. These new facilities replace the Group's £2.0m overdraft and has enabled the Group to refinance Pacer's £3.5m invoice discounting and term loan facilities on favourable terms.

Unaudited Interim Results of the six months ended 30 September 2018

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 have been 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 as a result of new information, future events or otherwise.

Outlook

The Group has a broad base of clients, products and markets which give a high degree of confidence in the stability and resilience of the Group.

Looking forward, the operational investments in personnel and production equipment, combined with the strong open order book in the Power business unit, are anticipated to result in an improved Manufacturing revenue performance in the second half.

The success of our strategy is amply demonstrated by the 26% organic growth in the Value Added Distribution division in the period and the strengthening open order book. The open order book at 31 October 2018 was £29.4m which is 46% up on the prior year of £20.1m. The Directors are pleased with the new business pipeline and level of new contract awards across the Group.

The Board is excited by the opportunities that the acquisition of Pacer Technologies brings to the Group. The acquisition builds on the previous acquisitions of 2001 and Ginsbury and the objective to create a distribution division of meaningful scale in its industry.

Pacer's expertise and product set are complementary to the existing Solid State Group and have the added benefit of enhancing the Group's value added operations and exposure to high growth markets such as the niche medical sector. In addition, Pacer has an established US business which provides the Group with an opportunity to further develop its US activities.

The broader product range and increased scale of distribution have been the cornerstones in enabling the recent significant organic growth of the Value Added Distribution division. The addition of Pacer's opto-electronics product range to the Group provides a further step change in broadening our offering, which can be leveraged by the Group to facilitate the development of new larger franchise relationships and customer growth.

The Board is confident that the prospects for the remainder of the year are positive and it expects the Group to deliver a strong performance in the second half of the year. In addition, it believes the Group is well positioned for future growth 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 to Solid State's continued progress.

Gary Marsh
Chief Executive Officer
20 November 2018

INTERIM CONSOLIDATED INCOME STATEMENT
for the six months ended 30 September 2018

	Unaudited Six months to 30 Sept 18 £'000	Unaudited Six months to 30 Sept 17 £'000	Audited Year to 31 Mar 18 £'000
Continuing Operations			
Revenue	23,545	22,455	46,268
Cost of sales	(16,697)	(16,076)	(33,525)
Gross profit	6,848	6,379	12,743
Sales, general and administration expenses	(5,510)	(5,106)	(10,229)
Profit from operations	1,338	1,273	2,514
Finance costs	(11)	(7)	(33)
Profit before taxation	1,327	1,266	2,481
Tax expense	(140)	(161)	(238)
Adjusted profit after tax	1,458	1,370	2,663
Adjustments to profit	(271)	(265)	(420)
Profit after taxation	1,187	1,105	2,243
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	1,187	1,105	2,243
Other comprehensive income	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,187	1,105	2,243
Earnings per share (see below)			
Basic EPS from profit for the period	14.0p	13.1p	26.5p
Diluted EPS from profit for the period	13.8p	13.0p	26.0p

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2018
(unaudited)

	Share Capital	Share premium reserve	Capital Redemption Reserve	Retained Earnings	Shares held in Treasury	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2017	425	3,629	5	12,826	(243)	16,642
Total comprehensive income for the period	-	-	-	1,105	-	1,105
Issue of new shares	-	-	-	-	-	-
Dividends	-	-	-	(677)	-	(677)
Share based payment expense	-	-	-	75	-	75
Balance at 30 September 2017	425	3,629	5	13,329	(243)	17,145
Total comprehensive income for the period	-	-	-	1,138	-	1,138
Issue of new shares	-	-	-	-	-	-
Dividends	-			(338)	-	(338)
Share based payment expense	-	-	-	75	-	75
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

CONSOLIDATED BALANCE SHEET
as at 30 September 2018

	Unaudited as at 30 Sept 18	Unaudited as at 30 Sept 17	Audited as at 31 Mar 18
	£'000	£'000	£'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2,133	2,386	2,253
Intangible assets	5,947	6,190	6,167
	________	________	________
TOTAL NON-CURRENT ASSETS	8,080	8,576	8,420
CURRENT ASSETS			
Inventories	7,146	8,013	6,823
Trade and other receivables	9,728	9,247	10,048
Cash and cash equivalents	1,794	-	575
	________	________	________
TOTAL CURRENT ASSETS	18,668	17,260	17,446
	________	________	________
TOTAL ASSETS	26,748	25,836	25,866
LIABILITIES			
CURRENT LIABILITIES			
Bank overdraft	-	(1,336)	-
Trade and other payables	(5,642)	(6,152)	(5,718)
Contract liabilities	(1,551)	(392)	(1,317)
Corporation tax liabilities	-	-	(384)
	________	________	________
TOTAL CURRENT LIABILITIES	(7,193)	(7,880)	(7,419)
NON-CURRENT LIABILITIES			
Trade and other payables	-	-	-
Corporation tax liabilities	(576)	(470)	-
Deferred tax liability	(376)	(341)	(427)
	________	________	________
TOTAL NON-CURRENT LIABILITIES	(952)	(811)	(427)
	________	________	________
TOTAL LIABILITIES	(8,145)	(8,691)	(7,846)
	________	________	________
TOTAL NET ASSETS	18,603	17,145	18,020
CAPITAL AND RESERVES ATTRIBUTABLE			
TO EQUITY HOLDERS OF THE PARENT			
Share capital	427	425	425
Share premium reserve	3,627	3,629	3,629
Capital redemption reserve	5	5	5
Retained earnings	14,787	13,329	14,204
Shares held in treasury	(243)	(243)	(243)
	________	________	________
TOTAL EQUITY	18,603	17,145	18,020
	________	________	________

CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 September 2018

	Unaudited as at 30 Sept 18	Unaudited as at 30 Sept 17	Audited as at 31 Mar 18
	£'000	£'000	£'000
OPERATING ACTIVITIES			
Profit before taxation	1,327	1,266	2,481
Adjustments for:			
Depreciation	236	238	489
Amortisation	370	192	406
Profit on disposal of property, plant and equipment	4	(2)	(11)
Loss on disposal of intangible fixed assets	-	-	-
Share based payment expense	75	75	150
Finance costs	11	7	33
Other	-	-	-
Profit from operations before changes in working capital and provisions	2,023	1,776	3,548
Increase in inventories	(323)	(2,436)	(1,246)
Decrease/(increase) in trade and other receivables	320	(1,161)	(1,723)
Increase in trade and other payables	160	635	779
Cash generated from/(absorbed by) operations	2,180	(1,186)	1,358
Income taxes paid	-	-	(6)
Income taxes recovered	-	-	39
Cash flows from operating activities	2,180	(1,186)	1,391
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(165)	(247)	(402)
Purchase of intangible assets	(150)	(158)	(349)
Proceeds from sale of property, plant and equipment	44	30	77
Consideration paid on acquisition of subsidiaries	-	-	-
Cash with subsidiaries over which control has been obtained	-	-	-
Net cash flow from investing activities	(271)	(375)	(674)
FINANCING ACTIVITIES			
Issue of ordinary shares	-	-	-
Interest paid	(11)	(7)	(33)
Dividends paid to equity shareholders	(679)	(677)	(1,018)
Net cash flow from financing activities	(690)	(684)	(1,051)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,219	(2,245)	(334)
Cash and cash equivalents brought forward	575	909	909
CASH AND CASH EQUIVALENTS CARRIED FORWARD	1,794	(1,336)	575
Represented by:			
Cash at bank and in hand	1,794	-	575
Bank overdrafts	-	(1,336)	-
	1,794	(1,336)	575

NOTES TO THE INTERIM REPORT
for the six months ended 30 September 2018

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 2018, 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 2018 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 2018, 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 2019.

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 2018.

Recent accounting developments

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

The Group adopted IFRS 9 on 1 April 2018. IFRS 9 relates to the accounting for financial instruments and covers: classification and measurement; impairment; and hedge accounting. Except for hedge accounting, retrospective application is required with any adjustment being made to reserves on 1 April 2018. The Group has not restated its 2017 comparative information.

The Group has adopted the simplified approach to provide for losses on receivables and contract assets resulting from transactions within the scope of IFRS 15 applying credit ratings and business information to determine the expected credit losses on receivables. The adoption of the expected credit loss approach has not resulted in a significant impairment loss for trade receivables as at 30 September 2018.

The impact of the adoption of IFRS 9 is immaterial, however, there are a number of changes to the required disclosures which will be incorporated in to our 31 March 2019 annual report.

Standards issued but not yet applied IFRS 16 'Leases' is effective and will be applied for the financial year beginning on 1 January 2019. The interim results for FY19/20 will be IFRS 16 compliant with the first annual report published in accordance with IFRS 16 being the 31 March 2020 report.

On the adoption of IFRS 16, lease agreements will give rise to both a right-of-use asset and a lease liability for future lease payables.

The lease liability will be initially measured based on the present value of lease payments to be made, excluding any contingent rentals, over the lease term. The lease term includes any extension options reasonably certain of being exercised.

The right-of-use asset will be initially measured at the value of the lease liability plus any initial direct costs, less any impairment provisions and will be depreciated on a straight-line basis over the life of the lease.

Interest will be recognised on the lease liability as the discount unwinds, resulting in a higher interest expense in the earlier years of the lease term. The total expense recognised in the Income Statement over the life of the lease will be unaffected by the new standard. However, IFRS 16 will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases.

The group has a portfolio of leased properties, the minimum lease commitments on these have been disclosed in the annual report. The group is in the process of quantifying the full impact of this standard, working through a comprehensive transition exercise across the group.

The group plans to adopt a modified retrospective transition approach and so comparative information will not be adjusted. Rather the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance sheet.

On transition the group will measure the right-of-use asset will be initially measured at the value of the lease liability plus any initial direct costs, less any impairment provisions.

The group also plans to take advantage of the following practical expedients in adopting IFRS 16:

- application of a single discount rate to a portfolio of leases with similar characteristics; and,
- electing not to apply IFRS 16 requirements to leases with a lease term that ends within 12 months of the date of initial application.

Based on our initial view we expect there to be a material change in the balance sheet on adoption of IFRS 16. Based on our current transition exercise we expect IFRS 16 to recognise a material right to use asset and a corresponding lease liability grossing up the balance sheet assets and liabilities.

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 2018.

Additional disclosure of the basis of measurement and policies in respect of financial instruments are described on pages 72 to 77 of our 2018 Annual Report and remain unchanged at 30 September 2018.

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 2018.

Impairment

No Impairment charges have been recognised in the period to 30 September 2018.

3. Principal risks and uncertainties

The principal risks and uncertainties impacting the Group are described on pages 8 to 11 of our 31 March 2018 Annual Report and remain unchanged at 30 September 2018.

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 18 £'000	Unaudited Six months to 30 Sept 17 £'000	Audited Year to 31 Mar 18 £'000
Revenue			
Manufacturing	11,543	12,930	26,583
Value Added Distribution	12,002	9,525	19,685
	________	________	________
Group revenue	**23,545**	**22,455**	**46,268**
	________	________	________

5. Adjusted profit measures

	Unaudited Six months to 30 Sept 18 £'000	Unaudited Six months to 30 Sept 17 £'000	Audited Year to 31 Mar 18 £'000
Continuing operations			
Acquisition and re-organisation costs in cost of sales	-	-	-
Acquisition and re-organisation costs in sales, general and administration	*149*	*100*	*150*
Total acquisition and re-organisation costs	149	100	150
Amortisation of acquisition intangibles	110	110	219
Share based payments	75	75	150
Taxation effect	(63)	(20)	(99)
Total adjustments to profit	**271**	**265**	**420**
Reported gross profit from continuing operations	6,848	6,379	12,743
Adjusted gross profit from continuing operations	6,848	6,379	12,743
Reported gross margin percentage from continuing operations	29.1%	28.4%	27.5%
Adjusted gross margin percentage from continuing operations	29.1%	28.4%	27.5%
Reported operated profit from continuing operations	1,338	1,273	2,514
Adjusted operated profit from continuing operations	1,672	1,558	3,033
Reported operating margin percentage from continuing operations	5.7%	5.7%	5.4%
Adjusted operating margin percentage from continuing operations	7.1%	6.9%	6.6%
Reported profit before tax from continuing operations	1,327	1,266	2,481
Adjusted profit before tax from continuing operations	1,661	1,551	3,000
Reported profit after tax from continuing operations	1,187	1,105	2,243
Adjusted profit after tax from continuing operations	1,458	1,370	2,663

6. The earnings per share

The earnings per share is based on the following:

	Unaudited Six months to 30 Sept 18 £'000	Unaudited Six months to 30 Sept 17 £'000	Audited Year to 31 Mar 18 £'000
Adjusted continuing earnings post tax	1,458	1,370	2,663
Reported continuing earnings post tax	1,187	1,105	2,243
Discontinued earnings post tax	-	-	-
Adjusted total earnings post tax	1,458	1,370	2,663
Reported total earnings post tax	1,187	1,105	2,243
Weighted average number of shares	8,472,070	8,464,582	8,459,118
Diluted weighted average number of shares	8,632,114	8,528,217	8,618,468
Reported EPS			
Basic EPS from continuing operations	14.0p	13.1p	26.5p
Basic EPS from discontinued operations	-	-	-
Basic EPS from profit for the year	14.0p	13.1p	26.5p
Diluted EPS from continuing operations	13.8p	13.0p	26.0p
Diluted EPS from discontinued operations	-	-	-
Diluted EPS from profit for the year	13.8p	13.0p	26.0p
Adjusted EPS			
Adjusted basic EPS from continuing operations	17.2p	16.2p	31.5p
Adjusted basic EPS from discontinued operations	-	-	-
Adjusted basic EPS from profit for the year	17.2p	16.2p	31.5p
Adjusted diluted EPS from continuing operations	16.9p	16.1p	30.9p
Adjusted diluted EPS from discontinued operations	-	-	-
Adjusted diluted EPS from profit for the year	16.9p	16.1p	30.9p

7. Dividends

Dividends paid during the period from 1 April 2017 to 30 September 2018 were as follows:

22 September 2017	Final dividend year ended 31 March 2017	8.00p per share
16 February 2018	Interim dividend year ended 31 March 2018	4.00p per share
20 September 2018	Final dividend year ended 31 March 2018	8.00p per share

The Directors are intending to pay an interim dividend for the year ended 31 March 2019 on 15 February 2019 of 4.20p per share. This dividend has not been accrued at 30 September 2018.

8. Share capital

	Unaudited Six months to 30 Sept 18 No.		Unaudited Six months to 30 Sept 17 No.		Audited Year to 31 Mar 18 No.
Allotted issued and fully paid					
Number of ordinary 5p shares	8,532,878		8,496,512		8,496,512

	Unaudited Six months to 30 Sept 18 £'000		Unaudited Six months to 30 Sept 17 £'000		Audited Year to 31 Mar 18 £'000
Allotted issued and fully paid					
Ordinary 5p shares	427		425		425

9. Related party transactions

Consistent with the year ended 31 March 2018 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 note 5 in the annual report to the 31 March 2018 and will be updated in the full year report to the 31 March 2019. There are no other related party transactions.

10. Post balance sheet events

As announced on the 9 November 2018 the Group acquired Pacer Technologies Limited for a cash consideration of up to £3.73m subject to a net asset adjustment. The consideration was settled out of Group resources and new banking facilities provided by Lloyds Bank plc.

For the year ended 31 March 2018, the Pacer Group reported revenue of £15.2m, and a profit before tax of £0.43m. As at 31 March 2018 Pacer had net assets of £1.06m and net debt of £1.53m

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

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