



**Solid State plc**

**Interim Report**

30th September 2009

## **DIRECTORS, SECRETARY AND ADVISERS**

<b>Directors:</b>	Peter Haining, FCA, <i>Chairman</i> Lewis Cyril Ashby Newnham, <i>Deputy Chairman</i> Gary Stephen Marsh, <i>Managing Director</i> William George Marsh, <i>Director</i> John Michael Lavery, <i>Director</i> Gordon Leonard Comben, <i>Director</i>
<b>Company Secretary and Registered Office:</b>	Peter Haining, FCA Solid State PLC Unit 2 Eastlands Lane Paddock Wood Kent TN12 6BU
<b>Company Number:</b>	771335
<b>Nominated Adviser:</b>	Charles Stanley Securities 25 Luke Street London EC2A 4AR
<b>Broker:</b>	Charles Stanley Securities 25 Luke Street London EC2A 4AR
<b>Auditors:</b>	haysmacintyre Fairfax House 15 Fulwood Place London WC1V 6AY
<b>Solicitors:</b>	Thomson Snell & Passmore 3 Lonsdale Gardens Tunbridge Wells Kent TN1 1NX
<b>Bankers:</b>	HSBC plc 9 Wellesley Road Croydon Surrey CR9 2AA
<b>Registrars:</b>	Capita IRG plc Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA
<b>Country of Incorporation of Parent Company:</b>	Great Britain
<b>Legal Form:</b>	Public Limited Company

## **CHAIRMAN'S STATEMENT**

### **Unaudited Interim Results for the six months ended 30th September 2009**

#### **Results**

The unaudited pre-tax profit for the Group for the six months ended 30th September 2009 was £209,000 (2008: £321,000) on a turnover of £6,492,000 (2008: £6,211,000). The basic earnings per share for the six months period amounted to 2.6p (2008: 3.9p).

#### **Trading Review**

The key performance indicators measured by management are billings, bookings and gross profit margin. Bookings are sales orders received and billings are sales delivered.

#### **Solid State Supplies**

During the period under review bookings increased by 1% but billings declined 3% compared with the first half of FY08/09. Given that the recession has meant many companies have reduced their inventory levels it is pleasing that our bookings and billings have remained broadly in line with last year and our open order book is 4% higher than at the start of this financial year. Our increased product range referred to in our annual report certainly helped to mitigate some of the effects of the downturn. However, the volatility of sterling against the US dollar has continued to have an impact on our gross profit margins, which have declined from an average 28.0% in the first half of FY 08/09 to 25.1%.

The outlook for 2010 is more positive with signs that confidence is returning to the market. Lead times are beginning to extend on certain products as customers in several sectors start to rebuild their inventories. This improvement in confidence has yet to manifest itself in general order intake but we believe our components business is now well placed to benefit from this upturn when it arrives.

#### **Steatite**

While the economic climate remains difficult for manufacturing companies, trading remains reasonable. In the first half of FY 09/10 sales have grown by 6.5%. The decline of sterling, however, continues to have an impact on gross margins with a decline from 29.7% to 26.2%.

New product developments into key strategic market sectors, however, have resulted in a much improved order book with an increase of 21% in the level of outstanding orders at 30th September 2009 compared with 30th September 2008. This should be reflected in a stronger performance during the second half of FY 09/10.

#### **Summary**

The increase in group turnover of 4.5% compared with the first half of FY08/09 is a sound result in the difficult economic environment, but the pressure on gross margins is illustrated in the decline from 28.3% to 26.8%.

## **CHAIRMAN'S STATEMENT**

### **Unaudited Interim Results for the six months ended 30th September 2009 (continued)**

#### **Summary (continued)**

As outlined in the individual reports above, there are strong grounds for optimism for the second half year and beyond in terms of improvements in our markets and positive book to bill ratios at both sites, and the Directors consider that the Group has performed well during the current economic recession and is well placed to benefit as the UK economy returns to growth. The group continues to look for suitable UK acquisitions within the electronics industry.

#### **Dividends**

A final dividend of 2p per share was paid in respect of the year ended 31st March 2009 meaning that the total dividend paid in respect of the year was 3p per share. The directors are pleased to announce that in the light of the result for the first half year, an interim dividend of 1p per share will be paid. The payment date will be 28th January 2010 to shareholders on the register at the close of business on 15th January 2010.

#### **Conclusion**

I would like to thank my fellow directors and all the staff of the group for their support over the past six months.

**Peter Haining**  
**Chairman**

16th December 2009

**INTERIM CONSOLIDATED INCOME STATEMENT**  
**for the six months ended 30th September 2009**

	<i>Unaudited</i> <i>Six months to</i> <i>30th September 09</i> <i>£'000</i>	<i>Unaudited</i> <i>Six months to</i> <i>30th September 08</i> <i>£'000</i>	<i>Audited</i> <i>Year to</i> <i>31st March 09</i> <i>£'000</i>
Revenue	6,492	6,211	12,522
Cost of sales	(4,750)	(4,452)	(9,008)
Gross profit	1,742	1,759	3,514
Distribution costs	(696)	(625)	(1,204)
Administrative expenses	(825)	(722)	(1,635)
	(1,521)	(1,397)	(2,839)
Profit from operations	221	362	675
Finance income	-	-	-
Finance costs	(12)	(41)	(60)
Profit before taxation	209	321	615
Tax expense	(47)	(82)	(129)
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	<b>162</b>	<b>239</b>	<b>486</b>
<b>Other comprehensive income/(expense)</b>			
Translation differences on overseas operations	(3)	-	5
Total comprehensive income for the period	159	239	491
Earnings per share (see below)			
Basic	2.6p	3.9p	7.9p
Diluted	2.6p	3.9p	7.9p
All amounts relate to continuing operations.			

**INTERIM CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY  
for the six months ended 30th September 2009  
(unaudited)**

	<i>Share capital</i>	<i>Share premium reserve</i>	<i>Capital redemption reserve</i>	<i>Foreign exchange reserve</i>	<i>Retained earnings</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2008	308	757	5	53	1,477	2,600
Total comprehensive income for the period	-	-	-	-	239	239
Share based payment expense	-	-	-	-	6	6
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30th September 2008	308	757	5	53	1,722	2,845
Total comprehensive income for the period	-	-	-	5	248	253
Dividends	-	-	-	-	(139)	(139)
Share based payment expense	-	-	-	-	6	6
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31st March 2009	308	757	5	58	1,837	2,965
Total comprehensive income for the period	-	-	-	(3)	162	159
Dividends	-	-	-	-	(123)	(123)
Share based payment expense	-	-	-	-	6	6
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30th September 2009	308	757	5	55	1,882	3,007

**CONSOLIDATED BALANCE SHEET**  
**as at 30th September 2009**

	<i>Unaudited</i> <i>as at</i> <i>30th September 09</i> <i>£'000</i>	<i>Unaudited</i> <i>as at</i> <i>30th September 08</i> <i>£'000</i>	<i>Audited</i> <i>as at</i> <i>31st March 09</i> <i>£'000</i>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	292	271	289
Intangible assets	<u>2,029</u>	<u>2,038</u>	<u>2,033</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<u>2,321</u>	<u>2,309</u>	<u>2,322</u>
<b>CURRENT ASSETS</b>			
Inventories	1,768	1,579	1,554
Trade and other receivables	1,858	1,819	2,220
Cash and cash equivalents	<u>111</u>	<u>92</u>	<u>217</u>
<b>TOTAL CURRENT ASSETS</b>	<u>3,737</u>	<u>3,490</u>	<u>3,991</u>
<b>TOTAL ASSETS</b>	<u>6,058</u>	<u>5,799</u>	<u>6,313</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank overdraft	(167)	(523)	(668)
Trade and other payables	(2,163)	(1,661)	(1,839)
Bank borrowings	(545)	(587)	(712)
Corporation tax liabilities	<u>(129)</u>	<u>(101)</u>	<u>(129)</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>(3,004)</u>	<u>(2,872)</u>	<u>(3,348)</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	-	-	-
Corporation tax liabilities	<u>(47)</u>	<u>(82)</u>	<u>-</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>(47)</u>	<u>(82)</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>(3,051)</u>	<u>(2,954)</u>	<u>(3,348)</u>
<b>TOTAL NET ASSETS</b>	<u>3,007</u>	<u>2,845</u>	<u>2,965</u>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Share capital	308	308	308
Share premium reserve	757	757	757
Capital redemption reserve	5	5	5
Foreign exchange reserve	55	53	58
Retained earnings	<u>1,882</u>	<u>1,722</u>	<u>1,837</u>
<b>TOTAL EQUITY</b>	<u>3,007</u>	<u>2,845</u>	<u>2,965</u>

**CONSOLIDATED CASH FLOW STATEMENT**  
**for the six months ended 30th September 2009**

	<i>Unaudited</i> <i>Six months to</i> <i>30th September 09</i> <i>£'000</i>	<i>Unaudited</i> <i>Six months to</i> <i>30th September 08</i> <i>£'000</i>	<i>Audited</i> <i>Year to</i> <i>31st March 09</i> <i>£'000</i>
<b>OPERATING ACTIVITIES</b>			
Net profit from ordinary activities before taxation	209	321	615
Adjustments for:			
Depreciation	47	62	89
Amortisation	4	2	8
Loss on disposal of property, plant and equipment	3	-	3
Share based payment expense	6	6	12
Finance costs	12	41	60
Operating profit before changes in working capital and provisions	281	432	787
(Increase)/decrease in inventories	(214)	(16)	9
Decrease/(increase) in trade and other receivables	362	225	(176)
Increase/(decrease) in trade and other payables	324	(165)	33
Cash generated from operations	753	476	653
Income taxes paid	-	(6)	(107)
Cash flows from operating activities	753	470	546
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(78)	(44)	(102)
Proceeds from sale of property, plant and equipment	26	-	9
	(52)	(44)	(93)
<b>FINANCING ACTIVITIES</b>			
Repayment of bank borrowings	-	(153)	(216)
Invoice discounting finance (net movement)	(167)	(199)	(11)
Interest paid	(12)	(41)	(60)
Dividends paid to equity shareholders	(123)	-	(159)
	(302)	(393)	(446)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	399	33	7
Cash and cash equivalents brought forward	(452)	(464)	(464)
Exchange gains in cash and cash equivalents	(3)	-	5
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	(56)	(431)	(452)
Represented by:			
Cash at bank and in hand	111	92	217
Bank overdrafts	(167)	(523)	(669)
	(56)	(431)	(452)



## **NOTES TO THE INTERIM REPORT for the six months ended 30th September 2009**

### **1. Basis of preparation of interim financial information**

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 31st March 2010, which are mandatory for accounting periods beginning on or after 1st January 2009. The accounting policies are unchanged from the financial statements for the year ended 31st March 2009.

The interim financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31st March 2009, 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 237 of the Companies Act 1985.

### **2. The earnings per share**

The earnings per share figures are based on the profit on ordinary activities after taxation as stated in the unaudited profit and loss account and the weighted average number of shares in issue during each period. The weighted average number of shares in issue during the period was 6,156,511 for the six months ended 30th September 2009, 6,156,511 for the year ended 31st March 2009 and 6,156,511 for the six months ended 30th September 2008. The calculation of diluted earnings per share was based on 6,156,511 for the six months ended 30th September 2009, 6,156,511 for the year ended 31st March 2009 and 6,156,511 for the six months ended 30th September 2008.

### **3. Dividends**

Dividends paid during the period from 1st April 2008 to 30th September 2009 were as follows:

31st October 2008	Final dividend year ended 31st March 2008	1.25p per share
30th January 2009	Interim dividend year ended 31st March 2009	1.00p per share
7th September 2009	Final dividend year ended 31st March 2009	2.00p per share

The directors are intending to pay an interim dividend for the year ended 31st March 2010 in January 2010 of 1p per share. This dividend has not been accrued at 30th September 2009.

### **4. Further copies of this document are available both at the registered office of the Company and from the offices of Charles Stanley Securities, 25 Luke Street, London, EC2A 4AR. The statement will also be available to download on the Company’s website: [www.sssplc.com](http://www.sssplc.com)**