



**SOLID STATE PLC**

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors:</b>	Gordon Leonard Comben, <i>Chairman</i> Gary Stephen Marsh, <i>Chief Executive Officer</i> Peter Haining, FCA, <i>Finance Director</i> John Michael Lavery, <i>Executive Director</i> John Lawford Macmichael, <i>Executive Director</i> Anthony Brian Frere, <i>Non Executive Director</i> William George Marsh, <i>Non Executive 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>	W H Ireland Limited 4 Colston Avenue Bristol BS1 4ST
<b>Broker:</b>	W H Ireland Limited 4 Colston Avenue Bristol BS1 4ST
<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 The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Country of Incorporation of Parent Company:</b>	Great Britain
<b>Legal Form:</b>	Public Limited Company
<b>Domicile:</b>	Great Britain

## CHAIRMAN'S STATEMENT

### Unaudited Interim Results for the six months ended 30th September 2011

#### Results

In my first report since being reappointed Chairman of Solid State, I am pleased to report that the Group has performed strongly in the six months ended 30th September 2011. A revenue increase of 10% and a profit before tax increase of 28% demonstrate the operational gearing in the business and the efficiencies achievable through the targeted acquisition and successful integration of complementary businesses.

#### Highlights include:

#### Financial:

	2011	2010	Change
• Turnover	£11.361m	£10.295	+10%
• Profit before tax	£704k	£550k	+28%
• Earnings per share (basic)	7.6p	6.5p	+17%
• Gross profit margin	26.5%	27.5%	-100bps
• Operating margin	6.5%	5.6%	+90bps
• Interim dividend	2.5 p	2.0 p	+25%

#### Operational:

- Profit contribution from Rugged Systems Ltd; acquired on 1st April 2010 as a loss making business
- Successful restructuring of Solid State Supplies now delivering profits to the Group
- Further space taken in Redditch to accommodate growth
- Acquisition of Blazepoint Ltd for £200k (post period end)

#### Commenting on the results, Gordon Comben, Chairman of Solid State, said:

“The niche markets that Solid State serves have been resilient given the pressures of the global financial disruption.

“Solid State’s focus on high value added products has enabled both revenue growth and margin protection, which, when aligned with our internal financial rigour, augur well for the future.”

#### Financial Review

Turnover increased 10% to £11.361m when compared to the corresponding period in 2010 (£10.295m). Profit before tax increased by 28% reflecting the operational gearing in the business and highlighting the margin protection afforded in our products. Pleasingly, this translates into a 17% increase in earnings per share, despite the exercising of 635,000 shares (10% increase in issued share capital) in the period under a share option programme.

## **CHAIRMAN'S STATEMENT**

### **Unaudited Interim Results for the six months ended 30th September 2011 (continued)**

Gross margins have reduced to 26.5% in this period, from 27.5%, due to a change in the sales product mix. In the period Solid State supplied a higher proportion of lower margin items. However, an increase in the overall volume supplied has resulted in an increased operating margin at a Group level.

Our working capital requirements have risen in line with our increase in sales but have also been affected by increased inventory levels due to the disruptions resulting from the natural disasters in Japan and some end of life component risks on certain Government contracts. We have taken a prudent view by increasing the inventory levels of critical components to ensure that we are not faced with future supply disruption.

#### **Business Review**

Solid State is a group of companies focussed on the supply and support of specialist electronics equipment which include high tolerance and tailor made battery packs, specialist electronic components and industrial/rugged computers.

The market for Solid State's products and services is driven by the need for custom electronic solutions to address complex needs, typically in harsh environments where enhanced durability and resistance to extreme and volatile temperatures is vital. Drivers in our markets include efficiency improvement, cost saving, environmental monitoring and safety.

#### **Divisional 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**

Solid State Supplies is a distributor of specialist components to the UK OEM community, selling semiconductors, related components and modules for embedded processing, control and communications, power management and LED lighting.

The first half of the trading year has seen Solid State Supplies with bookings up 24% and billings up 44% on the corresponding period of the previous year. This compares with the industry average increase for semiconductor sales over the comparative period of 0%, as reported by our industry association, Electronic Components Supply Network, (formerly AFDEC).

Despite market conditions, Solid State Supplies has increased turnover and profitability in the period.

Solid State Supplies successfully competed for and won the Microsemi System-On-Chip (formerly Actel) franchise during the period. This has resulted in the company investing in experienced

## **CHAIRMAN'S STATEMENT**

### **Unaudited Interim Results for the six months ended 30th September 2011 (continued)**

personnel to maximise early sales transfers from competitors whilst building a long term business based on new design wins. The positive impact of this franchise is expected to be seen in the second half of the year.

Sales from existing franchises remain strong and franchises acquired in the previous trading year are now starting to have a positive impact on sales.

Trading for the second half of the year has started positively and the company is optimistic that this will continue despite industry forecasts predicting a flat market. As a result of the franchises acquired, Solid State Supplies is now able to penetrate a larger customer base and is confident of winning larger contracts than have previously been possible.

#### **Steatite (including Rugged Systems)**

Steatite designs, manufactures and supplies a range of product solutions that include, battery packs, components, a full range of rugged mobile computing solutions, industrial computer hardware and software; with the ability to design and manufacture bespoke units to customers' exact requirements.

The business of Steatite has benefited from a strong order book as reported in our year end review.

The Steatite division incorporated the activities of Rugged Systems at the beginning of the period.

All Steatite's divisions are performing well with bookings up by 14% and billings up 2% on a like for like basis compared to the same period in 2010. The differential between the increase in bookings and billings is attributable to the long delivery time on a particularly large order booked in this period where a significant proportion will be delivered in H2.

The current order book and a healthy pipeline of prospects put Steatite on course for a strong second half performance.

#### **Acquisition of Blazepoint**

Since the period end, the most significant development in the Group has been the acquisition of Blazepoint Ltd. The business was acquired from the administrator in October 2011. Blazepoint had been a competitor to Solid State and was operating in a market that we knew well, in addition to operating in sectors where Solid State was less well represented. Blazepoint has contracts within the defence sector and rail industry. In addition to product sales, Blazepoint also offers service and warranty repairs.

Steatite sees significant opportunities through Blazepoint to gain both further market share and new business in sectors not currently exploited, most notably the transportation sector. In addition, it will

## **CHAIRMAN'S STATEMENT**

### **Unaudited Interim Results for the six months ended 30th September 2011 (continued)**

enable Steatite to market its own brand of products under the NDURA label, previously a Blazepoint Ltd trade mark. Furthermore the ability to produce our own brand product and offer service and repair should enhance margins in the future.

Initially, whilst it is being integrated into the Group and certain restructuring is undertaken, Blazepoint is expected to operate at a loss. It is however anticipated that it will contribute to Group profits next year.

#### **Divisional Summary**

The companies in the Solid State group have distinct characteristics in their market places. A depth of technical understanding and a collaborative approach to client relationships have always promoted an integrated process of product design and supply. This degree of co-operation has always been appreciated by our clients and we believe it is of significant commercial value both to us and our customers. Solid State will continue to pursue this approach and to extend it into new relationships where appropriate.

Our stated strategy is to supplement organic growth with selective UK acquisitions within the electronics industry which will complement our existing Group companies and enable us to achieve improved gross margins through the employment of operational efficiencies, scale and distribution.

#### **Dividends**

The directors are pleased to announce, in the light of the result for the first half year, an increase in the interim dividend from 2p to 2.5p per share. This will be paid on 27th January 2012 to shareholders on the register at the close of business on 6th January 2012. The shares will go 'ex' dividend on 4th January 2012.

#### **Outlook**

Solid State continues to pursue a strategy of both organic and acquisitive growth. The successful integration of Rugged Systems demonstrates that we can enhance shareholder value through selective acquisition and we are confident that this will be repeated with the recent acquisition of Blazepoint. We continue to seek further acquisitions however it is essential that these are at attractive prices and fit with our existing corporate structure.

Although we remain mindful of the general economic environment, we are confident in the Group's prospects, both for the remainder of this year and beyond. This confidence is underpinned by our order book, which as at 30th November 2011 amounted to £11.6 million, a record level, and is reflected in the Board's declaration of a 2.5p interim dividend which is a 25% increase on the interim dividend paid in 2010.

**CHAIRMAN'S STATEMENT**  
**Unaudited Interim Results for the six months ended 30th September 2011**  
**(continued)**

Finally, it is with great gratitude that I acknowledge the contribution of all of our staff for the success of Solid State. It is due to their dedication and hard work that we find ourselves in such a strong position and with such prospects ahead of us.

**Gordon Comben**  
**Chairman**

12th December 2011

**INTERIM CONSOLIDATED INCOME STATEMENT**  
**for the six months ended 30th September 2011**

	<i>Unaudited</i> <i>Six months to</i> <i>30th September 11</i> <i>£'000</i>	<i>Unaudited</i> <i>Six months to</i> <i>30th September 10</i> <i>£'000</i>	<i>Audited</i> <i>Year to</i> <i>31st March 11</i> <i>£'000</i>
Revenue	11,361	10,295	21,169
Cost of sales	<u>(8,352)</u>	<u>(7,462)</u>	<u>(15,282)</u>
Gross profit	<u>3,009</u>	<u>2,833</u>	<u>5,887</u>
Distribution costs	(1,055)	(836)	(1,845)
Administrative expenses	<u>(1,221)</u>	<u>(1,420)</u>	<u>(2,746)</u>
	<u>(2,276)</u>	<u>(2,256)</u>	<u>(4,591)</u>
Profit from operations	733	577	1,296
Finance costs	<u>(29)</u>	<u>(27)</u>	<u>(53)</u>
Profit before taxation	704	550	1,243
Tax expense	<u>(196)</u>	<u>(156)</u>	<u>(275)</u>
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	<b>508</b>	<b>394</b>	<b>968</b>
<b>Other comprehensive income/(expense)</b>			
Translation differences on overseas operations	<u>-</u>	<u>5</u>	<u>5</u>
Total comprehensive income for the period	<u>508</u>	<u>399</u>	<u>973</u>
Earnings per share (see below)			
Basic	7.6p	6.5p	15.7p
Diluted	7.5p	6.1p	15.0p



**INTERIM CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY  
for the six months ended 30th September 2011  
(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>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Balance at 31st March 2010	308	757	5	55	2,070	3,195
Total comprehensive income for the period	-	-	-	5	394	399
Dividends	-	-	-	-	(123)	(123)
Share based payment expense	-	-	-	-	6	6
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30th September 2010	308	757	5	60	2,347	3,477
Total comprehensive income for the period	-	-	-	-	575	575
Dividends	-	-	-	-	(123)	(123)
Share based payment expense	-	-	-	-	10	10
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31st March 2011	308	757	5	60	2,809	3,939
Total comprehensive income for the period	-	-	-	-	508	508
Issue of new shares	32	168	-	-	-	200
Dividends	-	-	-	-	(272)	(272)
Share based payment expense	-	-	-	-	43	43
Reallocation on winding up of subsidiary	-	-	-	(60)	60	-
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Balance at 30th September 2011	340	925	5	-	3,148	4,418

**CONSOLIDATED BALANCE SHEET**  
**as at 30th September 2011**

	<i>Unaudited as at 30th September 11 £'000</i>	<i>Unaudited as at 30th September 10 £'000</i>	<i>Audited as at 31st March 11 £'000</i>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	713	335	614
Intangible assets	<u>2,362</u>	<u>2,378</u>	<u>2,374</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<u>3,075</u>	<u>2,713</u>	<u>2,988</u>
<b>CURRENT ASSETS</b>			
Inventories	3,146	2,154	2,765
Trade and other receivables	4,236	3,666	4,215
Cash and cash equivalents	<u>50</u>	<u>332</u>	<u>73</u>
<b>TOTAL CURRENT ASSETS</b>	<u>7,432</u>	<u>6,152</u>	<u>7,053</u>
<b>TOTAL ASSETS</b>	<u>10,507</u>	<u>8,865</u>	<u>10,041</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank overdraft	(1,052)	(789)	(481)
Trade and other payables	(3,560)	(3,006)	(3,911)
Bank borrowings	(956)	(1,071)	(1,185)
Corporation tax liabilities	<u>(258)</u>	<u>(115)</u>	<u>(258)</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>(5,826)</u>	<u>(4,981)</u>	<u>(5,835)</u>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	-	(200)	(200)
Corporation tax liabilities	(185)	(165)	-
Deferred tax liability	<u>(78)</u>	<u>(42)</u>	<u>(67)</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>(263)</u>	<u>(407)</u>	<u>(267)</u>
<b>TOTAL LIABILITIES</b>	<u>(6,089)</u>	<u>(5,388)</u>	<u>(6,102)</u>
<b>TOTAL NET ASSETS</b>	<u>4,418</u>	<u>3,477</u>	<u>3,939</u>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>			
Share capital	340	308	308
Share premium reserve	925	757	757
Capital redemption reserve	5	5	5
Foreign exchange reserve	-	60	60
Retained earnings	<u>3,148</u>	<u>2,347</u>	<u>2,809</u>
<b>TOTAL EQUITY</b>	<u>4,418</u>	<u>3,477</u>	<u>3,939</u>

## CONSOLIDATED CASH FLOW STATEMENT for the six months ended 30th September 2011

	<i>Unaudited</i> <i>Six months to</i> <i>30th September 11</i> <i>£'000</i>	<i>Unaudited</i> <i>Six months to</i> <i>30th September 10</i> <i>£'000</i>	<i>Audited</i> <i>Year to</i> <i>31st March 11</i> <i>£'000</i>
<b>OPERATING ACTIVITIES</b>			
Net profit from ordinary activities before taxation	704	550	1,243
Adjustments for:			
Depreciation	79	50	113
Amortisation	12	11	22
Loss/(profit) on disposal of property, plant and equipment	5	2	(6)
Share based payment expense	43	6	16
Finance costs	29	27	53
Operating profit before changes in working capital and provisions	872	646	1,441
(Increase) in inventories	(381)	(225)	(837)
(Increase) in trade and other receivables	(21)	(720)	(1,268)
(Decrease)/increase in trade and other payables	(551)	50	1,217
Cash (absorbed by)/generated from operations	(81)	(249)	553
Income taxes paid	-	-	(114)
Cash flows from operating activities	(81)	(249)	439
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(215)	(86)	(484)
Purchase of computer software	-	(6)	(14)
Proceeds from sale of property, plant and equipment	32	6	71
Consideration paid on acquisition of subsidiary	-	(225)	(225)
Cash within subsidiary over which control has been obtained	-	158	158
	(183)	(153)	(494)
<b>FINANCING ACTIVITIES</b>			
Issue of ordinary shares	200	-	-
Medium term loans received	-	200	200
Repayment of debt factoring	-	-	(256)
Repayment of finance lease	-	-	(6)
Invoice discounting finance (net movement)	(229)	8	121
Interest paid	(29)	(27)	(53)
Dividends paid to equity shareholders	(272)	(123)	(246)
	(330)	58	(240)
<b>(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(594)	(344)	(295)
Cash and cash equivalents brought forward	(408)	(118)	(118)
Exchange gains in cash and cash equivalents	-	5	5
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	(1,002)	(457)	(408)
Represented by:			
Cash at bank and in hand	50	332	73
Bank overdrafts	(1,052)	(789)	(481)
	(1,002)	(457)	(408)

## NOTES TO THE INTERIM REPORT for the six months ended 30th September 2011

### 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 2012. The accounting policies are unchanged from the financial statements for the year ended 31st March 2011.

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 31st March 2011, 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.

### 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 income statement and the weighted average number of shares in issue during each period. The weighted average number of shares in issue during the period was 6,656,120 for the six months ended 30th September 2011, 6,156,511 for the year ended 31st March 2011 and 6,156,511 for the six months ended 30th September 2010. The calculation of diluted earnings per share was based on 6,790,499 for the six months ended 30th September 2011, 6,444,348 for the year ended 31st March 2011 and 6,423,726 for the six months ended 30th September 2010.

### 3. Dividends

Dividends paid during the period from 1st April 2010 to 30th September 2011 were as follows:

6th September 2010	Final dividend year ended 31st March 2010	2.00p per share
27th January 2011	Interim dividend year ended 31st March 2011	2.00p per share
9th September 2011	Final dividend year ended 31st March 2011	4.00p per share

The directors are intending to pay an interim dividend for the year ended 31st March 2012 in January 2012 of 2.5p per share. This dividend has not been accrued at 30th September 2011.

### 4. Further copies of this document are available both at the registered office of the Company and from the offices of W H Ireland Limited, 4 Colston Avenue, Bristol, BS1 4ST. The statement will also be available to download on the Company’s website: [www.solidstateplc.com](http://www.solidstateplc.com)

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