



**SOLID STATE PLC**

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors:</b>	Gordon Leonard Comben, <i>Chairman</i> Anthony Brian Frere, <i>Deputy Chairman</i> Gary Stephen Marsh, <i>Chief Executive Officer</i> Peter Haining, FCA, <i>Finance Director</i> John Michael Lavery, <i>Director</i> John Lawford Macmichael, <i>Director</i> William George Marsh, <i>Director</i>
<b>Company Secretary and Registered Office:</b>	Peter Haining, FCA Solid State PLC 2 Ravensbrook Business Park Hedera Road Redditch B98 9EY
<b>Company Number:</b>	771335
<b>Nominated Adviser:</b>	W H Ireland Limited 24 Martin Lane London WC4R 0DR
<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 60 Queen Victoria Street London EC4N 4TR
<b>Registrars:</b>	Capita Registrars Limited 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 2012

#### Results

I am very pleased to report that the Group has continued to perform strongly in the six months to 30th September 2012.

Revenues show a healthy increase of 39% to £15.772m (2011: £11.361m) with profit before tax rising by 4% to £732k (2011: £704K) after charging exceptional costs of £81k during this period; comprising relocation costs of £66k and abortive acquisition costs of £15k.

The revenues for the first half benefitted from the contract valued at £3.5m won in May to supply in-vehicle rugged electronics for an export client. This contract delivered above average revenue for the period albeit at a lower than average margin. The Group typically experiences margin variation due to order size and product mix. The influence of this contract has resulted in a reduced Group profit margin for the period of 24.4%, however, this is uncharacteristically low and we do not expect this to be repeated in the second half of the year. It will have the effect of reducing the profit margin for the year as a whole, relative to our long run average margin, although not to the extent seen in this first half year.

We are continuing to experience margin pressure resulting from the broader economic conditions and competition in our specialist electronic components division. Steps have been taken to improve margins including the introduction of added value services.

Earnings per share have increased by 12% to 8.5p (2011: 7.6p) with the balance sheet continuing to strengthen. Total net assets have increased by 23% to £5.42m (2011: £4.42m). Net debt levels have benefitted from cash receipts relating to a number of large contracts resulting in a net gearing level of 33% at 30th September 2012 (31st March 2012: 54%).

#### Highlights include:

##### Financial:

	2012	2011	Change
• Turnover	£15.772m	£11.361m	+39%
• Profit before tax*	£813k	£704k	+16%
• Earnings per share (basic)	8.5p	7.6p	+12%
• Gross profit margin	24.4%	26.5%	-210bps
• Operating margin*	5.2%	6.5%	-130bps
• Dividend	2.75 p	2.5p	+10%

\*Before exceptional items of £81k

## **CHAIRMAN'S STATEMENT**

### **Unaudited Interim Results for the six months ended 30th September 2012 (continued)**

#### **Operational:**

- Order backlog at 31st October 2012 - £13.2m
- £3.5m in vehicle rugged electronics contract for export secured in May 2012
- Supply of circa £1m goods for London 2012 Olympic games
- Organic growth in all divisions of Group
- Successful relocation of Head Office and Solid State Supplies Ltd from Paddock Wood to new purpose built facilities in Redditch, building capacity and further improving efficiency

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

“The 2012/2013 year has started very positively with a pleasing set of first half year results. Our niche in bespoke and specialist electronics has proved resilient in challenging times and gives the Board confidence in the prospects for Solid State.”

#### **Dividends**

The Directors are declaring an Interim dividend of 2.75p per share. The Interim dividend will be paid on Monday 28th January 2013 to shareholders on the register at the close of business on 4th January 2013. The shares will go ex-dividend on 2nd January 2013.

#### **Group Strategy**

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. The 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 acquisitions within the electronics industry which will complement our existing Group companies and enable us to achieve improved operating margins through the employment of operational efficiencies, scale and distribution.

The Group is focused on the supply and support of specialist electronics equipment which includes high tolerance and tailor made battery packs, specialist electronic components and industrial/rugged computers.

The market for the Group'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.

## **CHAIRMAN'S STATEMENT**

### **Unaudited Interim Results for the six months ended 30th September 2012 (continued)**

#### **Divisional Review**

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

#### **Solid State Supplies Ltd**

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 switches, power management units and LED lighting.

The period to 30th September 2012 saw very strong trading, with key franchises added in the last 12 months starting to make a significant contribution to the increased turnover. In addition, the company successfully relocated its business to bespoke premises in Redditch. This gives the company an excellent platform for growth and has enabled the company to move into value added services. These services are expected to positively impact revenues in the second half of the year. The company continues to look for new franchise opportunities and is optimistic that current discussions will result in new franchises being added in the next financial year.

The relocation of Solid State Supplies has resulted in on-off relocation costs of £66k. Further moderate one-off costs associated with the relocation and additional efficiency initiatives are expected in H2.

Competitive pressures on the components industry have seen some erosion of gross margin. Steps have already been put in place to affect a recovery in margin over the next 12 months through the addition of value added services which will positively enhance gross margin.

#### **Steatite Ltd**

Steatite designs, manufactures and supplies a range of products and solutions that include bespoke Lithium battery packs, rugged mobile computing/radio solutions and industrial computer hardware and software. Key to its strategy is the ability to design, manufacture and test to customer requirements for usage in some of the most difficult and harsh environments against the most stringent of standards and qualifications.

The business of Steatite has benefited from a strong order book as reported in our year-end review along with a substantial order from a blue chip offshore communications company that was shipped during the second quarter.

All Steatite's product groups are performing well with bookings up by 18% and billings up 31% on a like for like basis compared to the same period in 2011.

The current strong order book and a healthy pipeline of prospects in transportation and secure communications puts Steatite on course for a solid second half performance and another year of double digit growth.

## **CHAIRMAN'S STATEMENT**

### **Unaudited Interim Results for the six months ended 30th September 2012 (continued)**

#### **Outlook**

Activity levels across the Group are encouraging. We are witnessing promising activity with public sector clients increasingly looking to further outsource specialist services in line with their cost saving agenda. Enquiry levels remain high, coupled with a good prospect to bookings conversion rate.

The order backlog shows revenue visibility as at 31st October 2012 of £13.2m (31st October 2011: £9.9m) having entered the new financial year with a strong order book which at 31st March 2012 stood at £10.6m.

The Group will continue its stated growth strategy of both organic and acquisitive growth. We will continue to seek further acquisitions that complement our growth strategy and benefit shareholders.

Despite the current economic environment we remain confident of the Group's prospects and meeting current market forecasts for the full year. This confidence is reflected in the Board's decision to declare a 10% increase in our interim dividend to 2.75p (2011: 2.5p).

Finally I would like to thank my fellow Directors and all the staff for their continued support in what has been a very positive start to this financial year.

Gordon Comben

*Chairman*

10th December 2012

**INTERIM CONSOLIDATED INCOME STATEMENT**  
**for the six months ended 30th September 2012**

	<i>Unaudited</i> <i>Six months to</i> <i>30th September 12</i> <i>£'000</i>	<i>Unaudited</i> <i>Six months to</i> <i>30th September 11</i> <i>£'000</i>	<i>Audited</i> <i>Year to</i> <i>31st March 12</i> <i>£'000</i>
Revenue	15,772	11,361	25,874
Cost of sales	<u>(11,931)</u>	<u>(8,352)</u>	<u>(18,677)</u>
Gross profit	<u>3,841</u>	<u>3,009</u>	<u>7,197</u>
Distribution costs	(1,344)	(1,055)	(2,319)
Administrative expenses	(1,730)	(1,221)	(3,372)
Gain on acquisition	-	-	160
	<u>(3,074)</u>	<u>(2,276)</u>	<u>(5,531)</u>
Profit from operations	767	733	1,666
Finance costs	<u>(35)</u>	<u>(29)</u>	<u>(67)</u>
Profit before taxation	732	704	1,599
Tax expense	<u>(154)</u>	<u>(196)</u>	<u>(282)</u>
<b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS</b> <b>OF THE PARENT</b>	578	508	1,317
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME</b> <b>FOR THE PERIOD</b>	<u>578</u>	<u>508</u>	<u>1,317</u>
Earnings per share (see below)			
Basic	8.5p	7.6p	19.5p
Diluted	8.2p	7.5p	19.2p

**INTERIM CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY  
for the six months ended 30th September 2012  
(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 2011	308	757	5	60	2,809	3,939
Issue of new shares	32	168	-	-	-	200
Total comprehensive income for the period	-	-	-	-	508	508
Dividends	-	-	-	-	(272)	(272)
Share based payment expense	-	-	-	-	43	43
Reallocation on winding up of subsidiary	-	-	-	(60)	60	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30th September 2011	340	925	5	-	3,148	4,418
Total comprehensive income for the period	-	-	-	-	809	809
Dividends	-	-	-	-	(169)	(169)
Share based payment expense	-	-	-	-	48	48
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Balance at 31st March 2012	340	925	5	-	3,836	5,106
Total comprehensive income for the period	-	-	-	-	578	578
Issue of new shares	3	34	-	-	-	37
Dividends	-	-	-	-	(325)	(325)
Share based payment expense	-	-	-	-	22	22
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Balance at 30th September 2012	343	959	5	-	4,111	5,418



**CONSOLIDATED BALANCE SHEET**  
**as at 30th September 2012**

	<i>Unaudited</i> <i>as at</i> <i>30th September 12</i> <i>£'000</i>	<i>Unaudited</i> <i>as at</i> <i>30th September 11</i> <i>£'000</i>	<i>Audited</i> <i>as at</i> <i>31st March 12</i> <i>£'000</i>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	938	713	851
Intangible assets	<u>2,409</u>	<u>2,362</u>	<u>2,426</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<u>3,347</u>	<u>3,075</u>	<u>3,277</u>
<b>CURRENT ASSETS</b>			
Inventories	4,318	3,146	3,062
Trade and other receivables	4,216	4,236	6,873
Cash and cash equivalents	<u>276</u>	<u>50</u>	<u>42</u>
<b>TOTAL CURRENT ASSETS</b>	<u>8,810</u>	<u>7,432</u>	<u>9,977</u>
<b>TOTAL ASSETS</b>	<u>12,157</u>	<u>10,507</u>	<u>13,254</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank overdraft	(2,027)	(1,052)	(1,368)
Trade and other payables	(4,166)	(3,560)	(5,366)
Bank borrowings	(43)	(956)	(1,065)
Corporation tax liabilities	<u>(261)</u>	<u>(258)</u>	<u>(261)</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>(6,497)</u>	<u>(5,826)</u>	<u>(8,060)</u>
<b>NON-CURRENT LIABILITIES</b>			
Corporation tax liabilities	(186)	(185)	-
Deferred tax liability	<u>(56)</u>	<u>(78)</u>	<u>(88)</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>(242)</u>	<u>(263)</u>	<u>(88)</u>
<b>TOTAL LIABILITIES</b>	<u>(6,739)</u>	<u>(6,089)</u>	<u>(8,148)</u>
<b>TOTAL NET ASSETS</b>	<u>5,418</u>	<u>4,418</u>	<u>5,106</u>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>			
Share capital	343	340	340
Share premium reserve	959	925	925
Capital redemption reserve	5	5	5
Foreign exchange reserve	-	-	-
Retained earnings	<u>4,111</u>	<u>3,148</u>	<u>3,836</u>
<b>TOTAL EQUITY</b>	<u>5,418</u>	<u>4,418</u>	<u>5,106</u>

**CONSOLIDATED CASH FLOW STATEMENT**  
**for the six months ended 30th September 2012**

	<i>Unaudited</i> <i>Six months to</i> <i>30th September 12</i> <i>£'000</i>	<i>Unaudited</i> <i>Six months to</i> <i>30th September 11</i> <i>£'000</i>	<i>Audited</i> <i>Year to</i> <i>31st March 12</i> <i>£'000</i>
<b>OPERATING ACTIVITIES</b>			
Net profit from ordinary activities before taxation	732	704	1,599
Adjustments for:			
Depreciation	130	79	197
Amortisation	22	12	34
Loss on disposal of property, plant and equipment	2	5	8
Share based payment expense	22	43	92
Finance costs	35	29	68
Gain on acquisition	-	-	(160)
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Operating profit before changes in working capital and provisions	943	872	1,838
(Increase) in inventories	(1,256)	(381)	(96)
Decrease/(increase) in trade and other receivables	2,657	(21)	(2,658)
(Decrease)/increase in trade and other payables	(1,200)	(551)	1,147
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Cash generated from/(absorbed by) operations	1,144	(81)	231
Income taxes paid	-	-	(259)
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Cash flows from operating activities	1,144	(81)	(28)
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<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(223)	(215)	(289)
Purchase of computer software	(5)	-	(8)
Proceeds from sale of property, plant and equipment	5	32	36
Consideration paid on acquisition of business	-	-	(200)
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	(223)	(183)	(461)
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<b>FINANCING ACTIVITIES</b>			
Issue of ordinary shares	37	200	200
Invoice discounting finance (net movement)	(1,023)	(229)	(121)
Interest paid	(35)	(29)	(67)
Dividends paid to equity shareholders	(325)	(272)	(441)
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	(1,346)	(330)	(429)
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(DECREASE) IN CASH AND CASH EQUIVALENTS	(425)	(594)	(918)
Cash and cash equivalents brought forward	(1,326)	(408)	(408)
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<b>CASH AND CASH EQUIVALENTS</b>			
<b>CARRIED FORWARD</b>	(1,751)	(1,002)	(1,326)
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Represented by:			
Cash at bank and in hand	276	50	42
Bank overdrafts	(2,027)	(1,052)	(1,368)
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	(1,751)	(1,002)	(1,326)
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## **NOTES TO THE INTERIM REPORT for the six months ended 30th September 2012**

### **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 2013. The accounting policies are unchanged from the financial statements for the year ended 31st March 2012.

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 2012, 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 6,813,726 for the six months ended 30th September 2012, 6,770,613 for the year ended 31st March 2012 and 6,656,120 for the six months ended 30th September 2011. The calculation of diluted earnings per share was based on 7,038,369 for the six months ended 30th September 2012, 6,870,252 for the year ended 31st March 2012 and 6,790,499 for the six months ended 30th September 2011.

### **3. Dividends**

Dividends paid during the period from 1st April 2011 to 30th September 2012 were as follows:

9th September 2011	Final dividend year ended 31st March 2011	4.00p per share
27th January 2012	Interim dividend year ended 31st March 2012	2.50p per share
31st August 2012	Final dividend year ended 31st March 2012	4.75p per share

The directors are intending to pay an interim dividend for the year ended 31st March 2013 in January 2013 of 2.75p per share. This dividend has not been accrued at 30th September 2012.

### **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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