

Company Solid State PLC
TIDM SSP
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Solid State PLC
23 December 2010

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Solid State plc
("Solid State" or the "Group")
Interim Results

Solid State plc (AIM:SSP), the AIM listed supplier of battery products, specialist electronic components and industrial/rugged computers to the electronics market is pleased to announce its Interim Results for the six months ended 30th September 2010.

Highlights include:

Financial:

	2010	2009	Change
•Turnover	£10.295m	£6.492m	+59%
•Profit before tax	£550k	£209k	+163%
•Earnings per share (basic)	6.5p	2.6p	+150%
•Gross profit margin	27.5%	26.8%	+2.6%
•Interim dividend	2.0 p	1.0 p	+100%

Operational:

- Integration of Rugged Systems Ltd, acquired on 1st April 2010
- Restructuring of Solid State Supplies
- Established relocation of Steatite to enable growth of the business
- Two new franchise agreements signed with CML and LED Engin (post period end)

Commenting on the results, Gary Marsh, Chief Executive of Solid State, said:

"The Group has emerged from the economic uncertainty with control over its cost base and with improved buying patterns emerging in its niche markets. These results show the benefits of acquiring complementary businesses, such as Rugged Systems, demonstrating a step change in revenues without compromising margins.

"The Board is confident that the current trends in the business are sustainable and we look forward to a strong second half to the year."

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Solid State plc

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Notes to Editors:

Solid State plc (SSP) is a leading value added group of companies providing specialist distribution, design-in and manufacturing services to those acquiring batteries, electronic components and industrial/rugged computing products for use in harsh environments.

Serving niche markets in oil & gas production, medical, construction, security, military and field maintenance, Solid State acts as both a distributor to OEMs and bespoke manufacturer of specialist units to clients with complex requirements.

Headquartered in Paddock Wood in Kent, Solid State employs 75 staff across 3 sites. Solid State operates through three main divisions: Solid State Supplies, Steatite and Rugged Systems.

Solid State was established in 1971 and admitted to AIM in June 1996.

CHAIRMAN'S STATEMENT

Results

I am delighted to report record revenues and profits for the six months ended 30th September 2010. The pre-tax profits are stated after charging relocation expenses at Steatite, final acquisition costs at Rugged Systems and non-recurring restructuring costs at Solid State Supplies totalling, in aggregate, £153,000.

Like for like revenues (excluding Rugged Systems) increased by 26% compared to the same period last year with profits before tax rising by 146%. An improvement in the Group's gross profit margin was achieved despite the increased revenue and the addition of lower margin sales from Rugged Systems. Increased revenues have inevitably resulted in a greater working capital requirement, reflecting an increase in debtors and work in progress. I am pleased to report, however, that there has been no slow down in cash collections when compared to last year.

Trading Review

The key performance indicators (KPIs) measured by the Board are billings, bookings and gross profit margin. Bookings are sales orders received and billings are sales delivered.

Solid State Supplies

The electronic component distribution sector has seen good growth and Solid State Supplies has capitalised on this with substantial growth in bookings and billings and a return to profitability in the first half. This comes in spite of the anticipated one-off restructuring costs relating to property refurbishment and lease termination. We did also experience some instances of component shortages that impacted our ability to complete orders and we expect that these supply issues will continue into 2011.

The second half of the year has started positively and in October new franchise agreements were signed with CML and LED Engin. These newly acquired franchises should underpin continued revenue growth and month on month profitability even if there is any slowing in order intake in the final quarter of the financial year.

The planned restructuring of Solid State Supplies has been successfully completed and, in conjunction with other changes, has resulted in a more agile, focused and committed operation that is winning new business on a lean cost base, giving the Board confidence for the prospects for the future.

Steatite

Steatite continues to perform well. Profits in the first half of the year rose by 48% with sales increasing by 22% compared to the same period last year. This result reflects the growth of new product development, key target market penetration and a strategy of focus on our key customer base. Steatite has improved its performance across all divisions with growth in all areas and technologies.

Steatite is in the process of re-locating locally to a new facility that is better suited to operations and provides for a significant expansion in activity levels as we continue to extend both our customer base and product offerings. As such, the half year result includes some of the exceptional costs for this relocation.

The prospects for the second half of the financial year remain strong with an excellent order book and growth in new business sectors across the UK market.

Rugged Systems

Acquired at the start of the current financial year, Rugged Systems saw a turnaround within the first half, returning to profit after successive years of trading at a loss. The restructuring of the company continues and, whilst only recently acquired, the Board is confident that this will enable the business to focus on its key strengths, react to the market and its customers whilst adding margin to its sales.

It is the current intention to relocate the existing office during the second half, within the Camberley area, to further assist in the development of the business. Current prospects remain positive for the second half as the business develops under the structure of Steatite.

Summary

With a strong open order book, the Group is well placed to benefit from the gradually improving economic environment and the Board looks forward with confidence to the second half of the financial year.

Our stated strategy is to continue to seek 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

A final dividend of 2.0 pence per share was paid in respect of the year ended 31st March 2010 meaning that the total dividend paid in respect of the year was 3.0 pence per share. The Directors are pleased to announce that in the light of the result for the first half year, an interim dividend of 2.0 pence per share has been declared. The payment date will be 27th January 2011 to shareholders on the register at the close of business on 14th January 2011.

Conclusion

I would like to thank my fellow Directors and all the staff of the Group for their support over the past six months. I would particularly like to single out Cyril Newnham for his contribution over the last 14 years. He has been valued counsel to the Board of Solid State. He retires on 31st December 2010 from his post as Deputy Chairman and does so with our best wishes.

Peter Haining
Chairman
22nd December 2010

INTERIM CONSOLIDATED INCOME STATEMENT
for the six months ended 30th September 2010

	Unaudited Six Months to 30 th September 10 £'000	Unaudited Six Months to 30 th September 09 £'000	Audited Year to 31 st March 10 £'000
Revenue	10,295	6,492	13,509
Cost of sales	(7,462)	(4,750)	(9,865)
Gross profit	<u>2,833</u>	<u>1,742</u>	<u>3,644</u>
Distribution costs	(836)	(696)	(1,331)
Administrative expenses	(1,420)	(825)	(1,760)
	<u>(2,256)</u>	<u>(1,521)</u>	<u>(3,091)</u>
Profit from operations	577	221	553
Finance income	-	-	-
Finance costs	(27)	(12)	(23)
Profit before taxation	<u>550</u>	<u>209</u>	<u>530</u>
Tax expense	(156)	(47)	(124)
PROFIT FOR THE FINANCIAL PERIOD	<u>394</u>	<u>162</u>	<u>406</u>
Other comprehensive income/(expense)			
Translation differences on overseas operations	5	(3)	(3)
Total comprehensive income for the period	<u>399</u>	<u>159</u>	<u>403</u>
Earnings per share (see below)			
Basic	6.5p	2.6p	6.6p
Diluted	6.1p	2.6p	6.6p

CONSOLIDATED BALANCE SHEET
as at 30th September 2010

	Unaudited as at 30 th September 10 £'000	Unaudited as at 30 th September 09 £'000	Audited as at 31 st March 10 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	335	292	300
Intangible assets	2,378	2,029	2,029
TOTAL NON-CURRENT ASSETS	<u>2,713</u>	<u>2,321</u>	<u>2,329</u>
CURRENT ASSETS			
Inventories	2,154	1,768	1,787
Trade and other receivables	3,666	1,858	2,562
Cash and cash equivalents	332	111	344
TOTAL CURRENT ASSETS	<u>6,152</u>	<u>3,737</u>	<u>4,693</u>
TOTAL ASSETS	<u>8,865</u>	<u>6,058</u>	<u>7,022</u>
LIABILITIES			
CURRENT LIABILITIES			
Bank overdraft	(789)	(167)	(462)
Trade and other payables	(3,006)	(2,163)	(2,173)
Bank borrowings	(1,071)	(545)	(1,063)
Corporation tax liabilities	(115)	(129)	(119)
	<u>(4,981)</u>	<u>3,004</u>	<u>3,817</u>
NON-CURRENT LIABILITIES			
Trade and other payables	(200)	-	-
Corporation tax liabilities	(165)	(47)	-
Deferred tax liability	(42)	-	(10)
TOTAL NON-CURRENT LIABILITIES	<u>(407)</u>	<u>(47)</u>	<u>(10)</u>
TOTAL LIABILITIES	<u>(5,388)</u>	<u>(3,051)</u>	<u>(3,827)</u>
TOTAL NET ASSETS	<u>3,477</u>	<u>3,007</u>	<u>3,195</u>
CAPITAL AND RESERVES			
ATTRIBUTABLE			
TO EQUITY HOLDERS OF THE COMPANY			
Share capital	308	308	308
Share premium reserve	757	757	757
Capital redemption reserve	5	5	5
Foreign exchange reserve	60	55	55
Retained earnings	2,347	1,882	2,070
TOTAL EQUITY	<u>3,477</u>	<u>3,007</u>	<u>3,195</u>

CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30th September 2010

	Unaudited Six months to 30 th September 10 £'000	Unaudited Six months to 30 th September 09 £'000	Audited Year to 31 st March 10 £'000
OPERATING ACTIVITIES			
Net profit from ordinary activities before taxation	550	209	530
Adjustments for:			
Depreciation	50	47	89
Amortisation	11	4	8
Loss on disposal of property, plant and equipment	2	3	5
Share based payment expense	6	6	12
Finance costs	27	12	23
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Operating profit before changes in working capital and provisions	646	281	667
 (Increase) in inventories	(225)	(214)	(233)
(Increase)/decrease in trade and other receivables	(720)	362	(343)
Increase in trade and other payables	50	324	334
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Cash (absorbed by)/generated from operations	(249)	753	425
 Income taxes paid	-	-	(124)
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Cash flows from operating activities	(249)	753	301
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INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(84)	(78)	(158)
Purchase of computer software	(6)	-	(4)
Proceeds from sale of property, plant and equipment	6	26	54
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	(84)	(52)	(108)
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FINANCING ACTIVITIES			
Medium term loans received	200	-	-
Invoice discounting finance (net movement)	8	(167)	351
Interest paid	(27)	(12)	(22)
Dividends paid to equity shareholders	(123)	(123)	(185)
Acquisition of subsidiary, net of cash acquired	(69)	-	-
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	(11)	(302)	144
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(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(344)	399	337
Cash and cash equivalents brought forward	(118)	(452)	(452)
Exchange gains/(losses) in cash and cash equivalents	5	(3)	(3)
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CASH AND CASH EQUIVALENTS CARRIED FORWARD	(457)	(56)	(118)
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Represented by:			
 Cash at bank and in hand	332	111	344

Bank overdrafts	(789)	(167)	(462)
	<u>(457)</u>	<u>(56)</u>	<u>(118)</u>
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NOTES TO THE INTERIM REPORT
for the six months ended 30th September 2010

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 2011. The accounting policies are unchanged from the financial statements for the year ended 31st March 2010.

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 2010, 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 6,156,511 for the six months ended 30th September 2010, 6,156,511 for the year ended 31st March 2010 and 6,156,511 for the six months ended 30th September 2009. The calculation of diluted earnings per share was based on 6,423,726 for the six months ended 30th September 2010, 6,156,511 for the year ended 31st March 2010 and 6,156,511 for the six months ended 30th September 2009.

3. Dividends

Dividends paid during the period from 1st April 2009 to 30th September 2010 were as follows:

7th September 2009	Final dividend year ended 31st March 2009	2.00p per share
28th January 2010	Interim dividend year ended 31st March 2010	1.00p per share
6th September 2010	Final dividend year ended 31st March 2010	2.00p per share

The directors are intending to pay an interim dividend for the year ended 31st March 2011 in January 2011 of 2p per share. This dividend has not been accrued at 30th September 2010.

4. Further copies of this document are available both at the registered office of the Company and from the offices of FoxDavies, 1 Tudor Street, London, EC4Y 0AH. The statement will also be available to download on the Company's website: www.sssplc.com

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