



7 July 2015

Solid State plc
(“Solid State”, the “Company” or the “Group”)
Preliminary Results for the year ended 31 March 2015

Solid State plc (AIM: SOLI), the AIM listed supplier of specialist industrial/ruggedised computers, electronic components, secure communications systems and battery power solutions to the electronics market, is pleased to announce its Preliminary Results for the year ended 31 March 2015.

Highlights in the year include:

Financial:

	2015	2014	Change
Turnover	£36.56m	£32.09m	+14%
Profit before tax	£3.01m	£2.15m	+40%
Earnings per share (basic)	34.9p	25.3p	+38%
Gross profit margin	30.5%	29.2%	+130bps
Operating margin	8.4%	6.9%	+150bps
Dividend	12.0p	8.5p	+41%

Operational:

- 3yr/£34m offender tagging contract won with MoJ
- Steatite awarded £1.1m funding towards R&D on next generation lithium batteries for Marine Autonomous Systems (MAS)
- Development of added value and own brand products in distribution division
- Acquisition of Ginsbury displays business for £2.125m in April 2015

Commenting on the results and prospects, Tony Frere, Chairman of Solid State said:

“This is another very pleasing set of results for a year that represents a real step change in the business.

“Solid State has made a pleasing start to the new financial year with our order book remaining strong and a backlog of £19.38m as at 31 May 2015 (31 May 2014: £15.11m).

“Over the last 13 years we have successfully acquired and integrated eight businesses. We continue to see potential acquisition opportunities, with a number of them being as a direct result of the improving economic climate. We will pursue this acquisitive growth strategy while at the same time seeking to enhance organic growth through developing our export prospects and other product innovation initiatives.”

Investor Lunch

An investor lunch for Private Client Investment Managers and Private Investors will be held on Wednesday 8 July 2015. Those wishing to attend should contact Tom Cooper on tom.cooper@walbrookpr.com or 0797 122 1972.

For further information please contact:

Solid State plc Gary Marsh – Chief Executive	01527 830 630 investor.information@solidstateplc.com
WH Ireland (Nominated Adviser) Mike Coe / Ed Allsopp	0117 945 3470
Walbrook PR (Financial PR) Tom Cooper / Paul Vann	020 7933 8780 0797 122 1972 tom.cooper@walbrookpr.com

Notes to Editors:

Solid State plc (SOLI) is a leading value added group of companies providing specialist design-in and manufacturing services to those acquiring industrial/rugged computing products, battery power solutions, secure communications systems and electronic components 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 Redditch, Solid State employs over 150 staff across five sites. Solid State operates through two main divisions: Solid State Supplies and Steatite.

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

CHAIRMAN'S STATEMENT

Financial Review

I am very pleased to report that the Group has performed strongly this year, delivering our fifth consecutive year of record results.

Revenues grew by 14% to £36.56m (2014: £32.09m) despite exiting approximately £2m of very low margin business in the year inherited from the acquisition of 2001 Electronic Components Ltd in December 2013.

The Group revenue divisional breakdown was represented by a contribution of £22.75m (62% of Group revenue) from the manufacturing division (Steatite £19.74m and Q-Par £3.01m); with the distribution division under Solid State Supplies contributing £13.81m (38% of Group revenue).

Margins vary depending on order size and product mix. However, in overall terms, the Group commands good gross margins owing to the value added nature of its business. Pleasingly, Group gross margins increased to 30.5% (2014: 29.2%).

Operating margins increased to 8.4% (2014: 6.9%), with earnings per share rising by 38% benefitting from the low tax charge in the year. The low tax charge is principally the result of significant R&D tax credits which are unlikely to be repeated at these levels in future years.

Profit before tax increased by 40% to £3.01m (2014: £2.15m).

The continued improvement in retained earnings meant net assets increased by 19% to £12.39m (2014: £10.41m) with the Group's net gearing levels falling to 20% (2014: 23%).

Dividends

We have continued our stated policy of returning to our shareholders a progressive dividend whilst ensuring we retain a prudent level of dividend cover. Dividends were 2.89 times covered in 2015 owing to the low tax charge (2014: 2.98 times). The Board is recommending a final dividend of 8p. An interim dividend of 4p per share was paid on 7 January 2015 giving a total dividend for the year of 12p per share, a 41% increase on the prior year (2014: 8.5p). The final dividend will be paid on 29 September 2015 to shareholders on the register at the close of business on 4 September 2015. The shares will go ex-dividend on 3 September 2015.

Business Review

The Group is focussed on the supply and support of specialist electronics equipment which include high tolerance and tailor made battery packs, specialist electronic components, specialist antennas, industrial/rugged computers and secure communications systems.

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.

Divisional Review

Steatite

Steatite is one of the leading UK suppliers of specialist electronic equipment. It designs, manufactures and supplies a range of products and solutions that include bespoke lithium battery packs, rugged mobile computing/radio solutions, secure communications systems, industrial computer hardware and software. 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 most difficult and harsh environments.

Steatite has continued to build on the progress made in previous years and has performed well in the year, achieving a 9% increase in pre-tax profits on the comparative year.

The focus on value added and niche activities continues to improve our market share, whilst additionally introducing opportunities in new and exciting markets within the electronics industry, such as green energy and security solutions.

Equally pleasing is the growth in our export sales. This is aided largely by a new range of communications systems enhanced by Steatite which have unique features for the markets they serve.

The combination of new product development and new market penetration has delivered healthy organic growth, principally through cross selling initiatives and the application of innovative processes that save our clients time and money.

The business is well structured with a strong divisional management team in place. This has enabled us to seize opportunities in the UK such as the Ministry of Justice contract, which is unusual for an SME, and to achieve success in export markets for a variety of new proprietary products at higher margins.

Steatite has a tremendous platform to accelerate growth with a strong order backlog and will continue to seek product enhancement opportunities and cost efficiencies to maintain margin and profitability.

Ministry of Justice offender tagging contract (MoJ)

Steatite was awarded a contract by the MoJ in July 2014 for an initial three year term worth an estimated £34m for the supply and maintenance of offender tagging technology.

The development of tagging devices for the UK government is being conducted by a dedicated management team with its own bespoke facility. The contract is progressing with expectations for a strong performance in the second half of the year.

Beyond the initial MoJ contract, this new team is developing a range of devices for applications in the medical and home care sectors as well as enhanced justice platforms which we expect to lead to opportunities in new market sectors both in the UK and abroad.

Q-Par Angus Ltd (Q-Par or Steatite Antennas)

Q-Par is in the forefront of antenna design and manufacture. It excels in the research, design and manufacture of commercial grade and bespoke microwave antennas, subsystems and associated microwave components.

Since its acquisition in 2013, the management team has been strengthened and the business continues to flourish. Order intake has grown and pre-tax profits are up some 142% compared to the prior year. The Group as a whole continues to benefit from good margins generated by the antenna division.

Q-Par continues to focus on research and development within key market sectors and providing a service to its network of agents throughout the world. Further investment will be made in the year ahead with new purpose built facilities planned, along with significant investment in test and measurement facilities that will bring benefits to the whole Group.

Q-Par is well placed to continue its growth and to become an industry leader in antenna design and manufacture.

Solid State Supplies (Including 2001 Electronic Components 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 2014/15 financial year saw the successful completion of the integration of the 2001 Electronics business into Solid State Supplies. The companies are now trading successfully as a single entity from the Redditch headquarters.

After adjusting for the previously reported exit from the very low margin commodity LED business, the enhanced customer base and product ranges available have delivered organic growth of approximately 4%. This is above the industry average for the sector (as reported by our industry association, AFDEC). Additionally, a continued focus on gross margins has resulted in a 1.6% improvement over the previous year.

The company's move towards a range of own-brand products continued throughout the year, with the introduction of a number of high output LED modules enabling lighting companies with little or no experience of electronics and thermal management to benefit directly from high power LEDs.

The value added services operation provided a useful contribution to the increase in gross margin throughout the year and a minor capital investment resulted in the award of a £1 million contract for programmed devices from a major UK innovator in the field of Metrology.

On 1 April 2015 Solid State Supplies acquired Signregion Limited and its subsidiary Ginsbury Electronics, a value added distributor of displays and power products. This acquisition greatly enhances the range of products available for sale to the existing customer base of Solid State Supplies and, in reverse, the range of embedded products available to the customers of Ginsbury. In the short period to date, cross selling has already started with some small but notable successes. Due to the specialist nature of the value added services at Ginsbury, it will continue to trade as a separate entity as part of the distribution division, whilst taking advantage of access to the sales force at Solid State Supplies.

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. 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.

Outlook

Solid State has made a pleasing start to the new financial year with our order book remaining strong and a backlog of £19.38m as at 31 May 2015 (31 May 2014: £15.11m).

Over the last 13 years we have successfully acquired and integrated eight businesses. We continue to see potential acquisition opportunities, with a number of them being as a direct result of the improving economic climate. We will pursue this acquisitive growth strategy while at the same time seeking to enhance organic growth through developing our export prospects and other product innovation initiatives.

Finally, I would like to thank my fellow Directors and all our staff for their continued support in delivering another strong Group performance this year. We look forward with confidence to the year ahead.

Tony Frere*Chairman*

7 July 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2015

		2015	2014
	Notes	£	£
Revenue	5	36,559,277	32,085,432
Cost of sales		(25,395,695)	(22,728,639)
GROSS PROFIT		11,163,582	9,356,793
Distribution costs		(3,400,831)	(2,843,505)
Administrative expenses		(4,700,601)	(4,287,653)
PROFIT FROM OPERATIONS		3,062,150	2,225,635
Finance costs		(48,411)	(71,926)
PROFIT BEFORE TAXATION		3,013,739	2,153,709
Tax expense	6	(122,032)	(277,640)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		2,891,707	1,876,069
OTHER COMPREHENSIVE INCOME			
Translation differences on overseas operations		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,891,707	1,876,069
EARNINGS PER SHARE			
Basic	3	34.9p	25.3p
Diluted	3	33.9p	25.2p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2015

	Share Capital	Share Premium Reserve	Capital Redemption Reserve	Retained Earnings	Shares held in Treasury	Total
Balance at 31st March 2013	348,602	1,073,404	4,674	4,854,353	-	6,281,033
Total comprehensive income						
For the year ended 31 st March 2014	-	-	-	1,876,069	-	1,876,069
Issue of new shares	62,934	2,555,344	-	-	-	2,618,278
Share based payment expense	-	-	-	235,056	-	235,056
Dividends	-	-	-	(603,333)	-	(603,333)
Balance at 31st March 2014	411,536	3,628,748	4,674	6,362,145	-	10,407,103
Total comprehensive income						
For the year ended 31 st March 2015	-	-	-	2,891,707	-	2,891,707
Issue of new shares	5,044	-	-	-	-	5,044
Share based payment expense	-	-	-	210,653	-	210,653
Dividends	-	-	-	(810,400)	-	(810,400)
Repurchase of own shares into treasury	-	-	-	-	(313,073)	(313,073)
Balance at 31st March 2015	416,580	3,628,748	4,674	8,654,105	(313,073)	12,391,034

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31st March 2015

	2015		2014	
	£	£	£	£
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		1,243,011		1,059,486
Intangible assets		5,400,293		4,935,500
TOTAL NON-CURRENT ASSETS		6,643,304		5,994,986
CURRENT ASSETS				
Inventories	5,401,562		4,574,590	
Trade and other receivables	8,873,647		10,438,159	
Corporation tax receivable	129,442		45,785	
Cash and cash equivalents	1,737,523		685,401	
TOTAL CURRENT ASSETS		16,142,174		15,743,935
TOTAL ASSETS		22,785,478		21,738,921
LIABILITIES				
CURRENT LIABILITIES				
Bank overdraft	4,200,997		1,894,719	
Trade and other payables	5,833,520		7,489,992	
Bank borrowings	-		1,143,758	
Corporation tax liabilities	4,875		397,996	
TOTAL CURRENT LIABILITIES		10,039,392		10,926,465
NON CURRENT LIABILITIES				
Trade and other payables	8,516		11,269	
Deferred tax liability	346,536		224,084	
Provision for liabilities	-		170,000	
TOTAL NON-CURRENT LIABILITIES		355,052		405,353
TOTAL LIABILITIES		10,394,444		11,331,818
TOTAL NET ASSETS		12,391,034		10,407,103
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Share capital		416,580		411,536
Share premium reserve		3,628,748		3,628,748
Capital redemption reserve		4,674		4,674
Retained earnings		8,654,105		6,362,145
Shares held in treasury		(313,073)		
TOTAL EQUITY		12,391,034		10,407,103

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March 2015

	2015		2014	
	£	£	£	£
OPERATING ACTIVITIES				
Profit before taxation		3,013,739		2,153,709
Adjustments for:				
Depreciation		297,617		243,487
Amortisation		195,958		105,190
Loss on disposal of property, plant and equipment		5,676		1,593
Share based payment expense		210,653		235,056
Finance costs		48,411		71,926
		—————		—————
Profit from operations before changes in working capital and provisions		3,772,054		2,810,961
(Increase) in inventories	(826,972)		(622,830)	
Decrease/(increase) in trade and other receivables	1,564,512		(1,197,887)	
(Decrease)/increase in trade and other payables	(1,659,225)		1,053,543	
(Decrease)/increase in provisions	(170,000)		170,000	
		—————		—————
		(1,091,685)		(597,174)
		—————		—————
Cash generated from operations		2,680,369		2,213,787
Income taxes paid	(522,143)		(189,730)	
Income taxes recovered	45,785		28,320	
		—————		—————
		(476,358)		(161,410)
		—————		—————
Cash flow from operating activities		2,204,011		2,052,377
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(524,918)		(403,487)	
Purchase of computer software	(157,630)		(7,725)	
Proceeds of sales from property, plant and equipment	38,100		98,152	
Consideration paid on acquisition of subsidiaries	-		(2,974,029)	
Cash with subsidiaries over which control has been obtained	-		651,094	
Expenditure on development costs	(503,121)		-	
		—————		—————
		(1,147,569)		(2,635,995)
		—————		—————
		1,056,442		(583,618)
FINANCING ACTIVITIES				
Issue of ordinary shares	5,044		2,618,278	
Invoice discounting finance (net	(1,143,758)		(1,169,746)	

movement)			
Interest paid	(48,411)		(71,926)
Dividend paid to equity shareholders	(810,400)		(603,333)
Purchase of own shares for holding in treasury	(313,073)		
		(2,310,598)	773,273
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,254,156)	189,655

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March 2015 (continued)

Cash and cash equivalents comprise:

	2015	2014
	£	£
Net (decrease)/increase in cash and cash equivalents	(1,254,156)	189,655
Cash and cash equivalents at beginning of year	(1,209,318)	(1,398,973)
Cash and cash equivalents at end of year	(2,463,474)	(1,209,318)
There were no significant non-cash transactions.		
	2015	2014
	£	£
Cash available on demand	1,737,523	685,401
Overdrafts	(4,200,997)	(1,894,719)
	(2,463,474)	(1,209,318)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2015

1. The financial information for the year ended 31 March 2015 does not constitute statutory accounts as defined in section 435 (1) and (2) of the Companies Act 2006. Statutory accounts for the year ended 31 March 2014 have been delivered to the Registrar of Companies and those for 2015 will be delivered to the Registrar of Companies shortly. The auditors have reported on these accounts; their reports were unqualified, did not include a reference to any matter to which the auditors drew attention by way of emphasis of matter and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Whilst this preliminary announcement has been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations adopted for use by the European Union, with those parts of the Companies Act 2006 applicable to companies reporting under these condensed financial statements do not contain sufficient information to comply with IFRS.

2. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS

The financial information in this preliminary announcement has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The principal accounting policies used in preparing the preliminary announcement are those the Group will apply in its financial statement for the year ended 31 March 2015 and are unchanged from those disclosed in the Group's Report and Financial Statements for the year ended 31 March 2014.

3. EARNINGS PER SHARE

The earnings per share is based on the following:

	2015	2014
	£	£
Earnings	2,891,707	1,876,069
Weighted average number of shares	8,296,504	7,412,343
Diluted number of shares	8,542,212	7,431,867
Earnings per share	34.9p	25.3p
Diluted earnings per share	33.9p	25.2p

Earnings per ordinary share has been calculated using the weighted average number of shares in issue during the year. The weighted average number of equity shares in issue was 8,296,504 (2014: 7,412,343).

The diluted earnings per share is based on 8,542,212 (2014: 7,431,867) ordinary shares which allow for the exercise of all dilutive potential ordinary shares.

4. DIVIDENDS

	2015	2014
	£	£
Final dividend paid for the prior year of 5.75p per share (2014: 5.25p)	479,067	376,988
Interim dividend paid of 4p per share (2014: 2.75p)	333,264	226,345
Cancelled dividends on shares held in treasury	(1,931)	-

	810,400	603,333
Final dividend proposed for the year 8p per share (2014: 5.75p)	662,667	473,267

The proposed final dividend has not been accrued for as the dividend will be approved by the shareholders at the annual general meeting.

5. SEGMENT INFORMATION

The Group's primary reporting format for segment information is business segments which reflect the management reporting structure in the Group. The distribution division comprises Solid State Supplies Limited and the manufacturing division includes Steatite Limited and Q-Par Angus Limited.

Year ended 31st March 2015

	Distribution division	Manufacturing division	Head office	Total
	£	£	£	£
Revenue				
External	13,806,946	22,752,331	-	36,559,277
Profit/(loss) before tax	660,961	3,388,357	(1,035,579)	3,013,739
Tax expense	140,362	286,590	(304,920)	122,032
Balance sheet				
Assets	7,994,948	13,162,179	1,628,351	22,785,478
Liabilities	2,103,530	3,734,756	4,556,158	10,394,444
Net assets/(liabilities)	5,891,418	9,427,423	(2,927,807)	12,391,034
Other				
Capital expenditure				
- Tangible fixed assets	179,958	344,960	-	524,918
- Intangible fixed assets	81,693	579,058	-	660,751
Depreciation, amortisation and other non cash expenses	208,087	285,488	210,653	704,228
Interest paid	12,827	35,584	-	48,411

SEGMENT INFORMATION (continued)

Year ended 31st March 2014

	Distribution	Manufacturing	Head	Total
	division	division	office	
	£	£	£	£
Revenue				
External	9,894,996	22,190,436	-	32,085,432
Intercompany	19,699	-	-	19,699
	9,914,695	22,190,436	-	32,105,131
Profit/(loss) before tax	397,419	2,898,649	(1,142,359)	2,153,709
Tax expense	80,296	434,552	(237,208)	277,640
Balance sheet				
Assets	8,563,535	13,129,946	45,440	21,738,921
Liabilities	(2,784,060)	(7,162,975)	(1,384,783)	(11,331,818)
Net assets/(liabilities)	5,779,475	5,966,971	(1,339,343)	10,407,103
Other				
Capital expenditure				
- Tangible fixed assets	123,622	364,147	-	487,769
- Intangible fixed assets	2,194,303	514,506	-	2,708,809
Depreciation, amortisation and other non cash expenses	94,403	251,333	338,475	684,211
Interest paid	34,384	31,392	6,150	71,926

	External revenue by		Total assets by		Net tangible capital expenditure by	
	location of customer		location of assets		location of assets	
	2015	2014	2015	2014	2015	2014
	£	£	£	£	£	£
United Kingdom	32,267,416	28,258,799	22,766,036	21,738,921	524,918	487,769
Rest of Europe	2,733,195	1,977,575	-	-	-	-
Asia	849,410	671,633	-	-	-	-
North America	577,458	1,051,151	-	-	-	-
Australasia	58,010	51,919	-	-	-	-
Africa	56,173	10,213	-	-	-	-
South America	17,615	64,142	-	-	-	-
	36,559,277	32,085,432	22,766,036	21,738,921	524,918	487,769

All the above relate to continuing operations.

6. TAX EXPENSE

	2015	2014
	£	£
Current tax expense		
UK corporation tax on profits or losses for the year	4,875	265,715
Adjustment in respect of prior periods	(5,295)	(26,389)
	(420)	239,326
Deferred tax charge/(credit)	122,452	38,314
Total tax charge	122,032	277,640

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	2015	2014
	£	£
Profit before tax	3,013,739	2,153,709
Expected tax charge based on the standard rate of corporation tax in the UK of 21% (2014 – 23%)	632,885	495,353
Effect of:		
Expenses not deductible for tax purposes	64,245	24,365
Deductible expenses not charged in Group accounts	(7,237)	(7,926)
Difference between depreciation for the year and capital allowances	(5,773)	(1,002)
Tax relief on exercise of share options at less than market value	(125,525)	(63,752)
Marginal relief	(244)	(1,800)
Enhanced relief on research and development expenditure	(429,877)	(166,031)
Deferred tax credit arising on change of tax rate	(5,203)	(1,567)
Adjustment to provision in prior year	(853)	-
Enhanced rate on loss carried back	(386)	-
Total tax charge	122,032	277,640

7. **The Annual Report** will be sent to shareholders shortly and made available to the public at the registered office of the Company at 2 Ravensbank Business Park, Hedera Rd, Redditch, B98 9EY and will also be available to download on the Company's website www.solidstateplc.com.