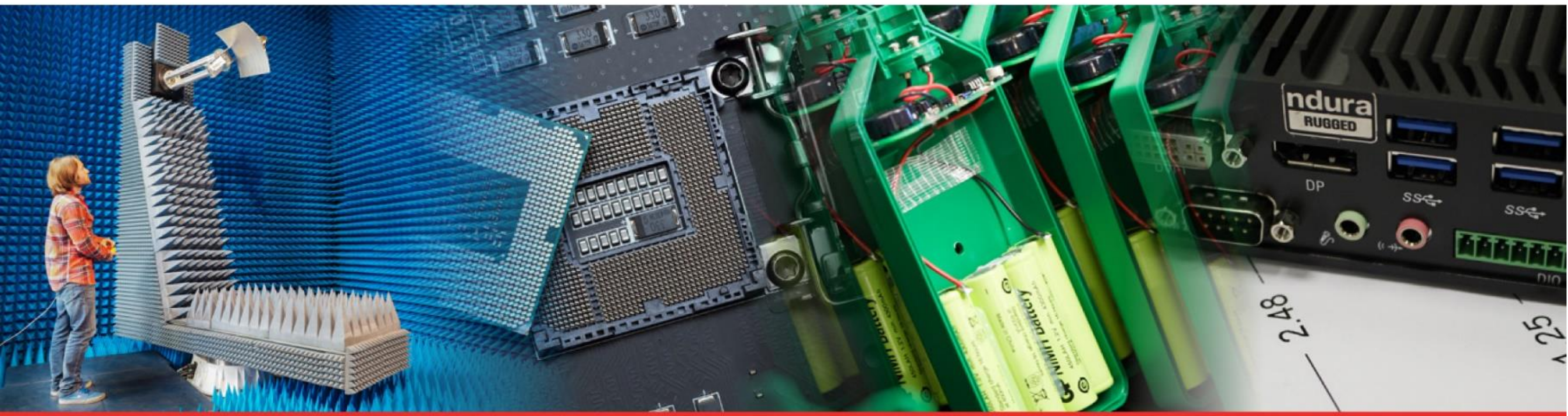
SOLID STATE PLC

DESIGN - MANUFACTURE - SUPPLY

INTERIM REPORT 30 SEPTEMBER 2020



TRUSTED TECHNOLOGY FOR DEMANDING APPLICATIONS

DESIGN

MANUFACTURE

SUPPLY

WWW.SOLIDSTATEPLC.COM

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Nigel Rogers, FCA, Non-Executive Chairman Gary Stephen Marsh, Chief Executive Officer Peter Haining, FCA, Non-Executive Director John Lawford Macmichael, Director Matthew Thomas Richards, Director Peter Owen James, FCA, Director
Company Secretary and Registered Office:	Peter Haining, FCA **Solid State PLC** 2 Ravensbank Business Park Hedera Road Redditch B98 9EY
Company Number:	00771335
Nominated Adviser and Broker:	**W H Ireland Limited** 24 Martin Lane London EC4R 0DR
Joint Broker:	**finnCap Limited** 1 Bartholomew Close London EC1A 7BL
Auditors:	**RSM UK Audit LLP** St Philips Point, Temple Row Birmingham West Midlands B2 5AF
Solicitors:	**Shakespeare Martineau LLP** 1 Colmore Square Birmingham West Midlands B4 6AA
Bankers:	**Lloyds Bank PLC** 125 Colmore Row Birmingham West Midlands B3 3SF
Registrars:	**Neville Registrars Limited** Neville House 18 Laurel Lane Halesowen Birmingham B63 3DA
Country of Incorporation of Parent Company:	Great Britain
Legal Form:	Public Limited Company
Domicile:	Great Britain

Unaudited Interim Results of the six months ended 30 September 2020

The economic backdrop to this reporting period was undoubtedly one of the most challenging in the Group's near 50 year history and I am very pleased to report results comparable with the prior year's record trading period, with Group revenue of £33.1m (H1 2019/20: £33.6m). Furthermore, in spite of the pandemic the Group has continued to make progress in delivering its growth strategy.

Our sector diversity across the Group has enabled us to substantially mitigate the challenges faced in the oil and gas and commercial aerospace sectors through revenue growth in security and defence, medical and transportation. The scale and broader portfolio of products now offered by our Value Added Supplies ("VAS") division, following the acquisition of Pacer Technologies in 2018, has enabled VAS revenues to be maintained year on year, significantly outperforming a market which saw a decline of 10.5%. The slight reduction in revenues from our Manufacturing Division was mitigated by improved margins and lower operating costs.

In the period the gross margin of the Group was stable at 29.9% (H1 2019/20: 30.1%). Pleasingly, underlying product margins in both divisions are also stable or show a slight improvement.

This strong trading performance in a period impacted by COVID-19 resulted in adjusted diluted earnings per share of 25.6p (H1 2019/20: 27.8p) which, while down on the prior year, we believe sets the business up well to deliver a full year result broadly similar to last year. Based on the trading in the first half and prospects for the full year, the Board has proposed maintaining the interim dividend at 5.25p (H1 2019/20: 5.25p).

The macro-economic environment remains challenging, which is resulting in customers placing shorter order schedules. As a result, there is reduced mid / long term order book visibility. Current orders and trading since the period end have continued in-line with management expectations.

Prospects for the remainder of the financial year are underpinned by the near term open order book and the resilience and diversity of the Group, resulting from its broad base of products and clients across a range of market sectors. Whilst there is still some uncertainty as to potential impacts of COVID-19 and Brexit for the remainder of our financial year, the Board is confident of meeting its pre-COVID profit expectations for the year ending 31 March 2021 with profits expected to be similar to the prior year.

Highlights in the period include:

	H1 2020/21	H1 2019/20	Change
Reported revenue	**£33.1m**	**£33.6m**	**(1.5%)**
Reported operating profit margin (note 5)	**7.3%**	**7.1%**	**+20bps**
Adjusted profit before tax (note 5)	**£2.55m**	**£2.67m**	**(4.5%)**
Adjusted diluted earnings per share (note 6)	**25.6p**	**27.8p**	**(7.9%)**
Interim dividend	**5.25p**	**5.25p**	**-**
Net cash flow from operations	**£1.91m**	**£3.55m**	**(46%)**
Open orderbook	**£34.3m**	**£36.5m**	**(6%)**

Financial highlights:

- Comparable revenues and profits to record prior period in spite of COVID-19
- VAS revenue maintained at £19.5m against a market which reported 10.5% decline in the period
- Strong operating cash generation of £1.9m despite working capital outflow as we unwound the prudent cash conservation actions taken at 31 March 2020
- Net cash on 30 September 2020 increased to £4.0m (31 March 2020: £3.2m) after payment of the prior year final dividend in the period.
- The Group's £7.5m banking facility remains undrawn, which combined with the strong balance sheet, puts the Group in a position to fund organic and acquisitive growth.

Operational highlights:

- As a result of the COVID-19 safe protocols and home working, our production and warehouse facilities have remained operational throughout the pandemic
- Successful award of Innovate UK grant funding in our Manufacturing division to support and accelerate the development of our 48v battery modules – targeting fossil fuel replacement powertrain applications
- Previously announced $4.7 million contract for our VAS division with a major UK medical equipment manufacturer
- Significant progress on our R&D programmes in respect of own brand computing, security and antenna products as well as our BMS (Battery Management Systems) solutions
- Increased cross Group collaboration - improving understanding and awareness of the enlarged Group's capabilities

Post period end highlights:

- Commenced a significant capital investment of c.£0.75m in EMC (Electromagnetic Compatibility) test capabilities and opto-electronic assembly tools differentiating the Group and supporting the drive for continued margin improvement
- 3 month rolling order intake has strengthened 8% post period end
- Re-engaged with pipeline of M&A targets
- Appointment of Nigel Rogers to the post of Non-Executive Chairman and Pete Magowan as independent Non-Executive Director from 1 January 2021

Commenting on the results and prospects, Nigel Rogers, Chairman of Solid State, said:

"This is my first set of results as Chairman of Solid State and I am very pleased to be announcing a performance that suitably demonstrates the resilience of the business given the disruptions faced this year. The half year position compares favorably to our previous record year as a business, which is a great reflection on everyone who has contributed to delivering this outcome.

"We enter the second half with a strong balance sheet to pursue our growth initiatives and a solid order book to underpin our targets for the full year.

"We are very pleased to welcome Pete Magowan to the Board in the New Year and look forward to his contribution as we deliver on Solid State's potential."

Unaudited Interim Results of the six months ended 30 September 2020

Business Overview

The Solid State Group supplies electronics solutions to its customers as a value added supplier of electronic and opto-electronic components and displays, and as a manufacturer of high specification bespoke products and assemblies. These manufactured products are provided across three core business areas of Computing, Power and Communications.

The Group operates through two operating divisions; Value Added Supplies (VAS) and Manufacturing. These divisions have distinct characteristics in their respective market places; however, they have a common mission, a clear delivery strategy, and consistent business values.

The VAS division is focusing its activities into three business units; Electronics, Opto-electronics, and Sourcing & Obsolescence. The VAS division is a specialist in delivering innovative, valuable, technical solutions for customers seeking cutting edge, electronic and opto-electronic components and displays with market leading value added capabilities.

The Manufacturing division has market leading capabilities in the design, development and supply of high specification industrial computers, custom battery packs providing portable power and energy storage solutions and advanced communication systems, encompassing wideband antennas and high performance video transmission products.

Across the Group our depth of understanding and a collaborative approach to client relationships have always promoted an integrated process of product design and supply. This co-operation and collaboration is valued by our clients and we believe it is of significant commercial value both to us and our customers. The Group will continue to pursue this approach and extend it into new relationships.

The market for the Group's products and services is driven by the need for bespoke electronic solutions to address complex needs, typically in harsh environments where enhanced durability and resistance to extreme and volatile humidity, temperature, pressure and wind is vital. The drivers of value in our markets include safety, technical performance, efficiency improvements, cost savings, and environmental monitoring.

Our stated strategy is to supplement organic growth with selective acquisitions within the electronics industry which complement our existing Group companies and facilitate the internationalisation of the Group and, or provide additional products / technology / IP and knowhow which accelerates our progress in our target growth markets.

Divisional Review

Value Added Supplies (VAS) Division

The VAS division continues to trade well and to outperform all metrics published by the industry association body ECSN (Electronic Components Supply Network). Revenue has been maintained at £19.5m (H1 2019/20: £19.5m) compared to a market which has seen 10.5% decline. Product margins are stable and holding up well albeit the sales mix is slightly less rich in the period.

Inventory has reduced in the period and stock turns continue to outperform industry averages. Post period end we have seen lead times extending significantly on many products such as memory, bluetooth, wireless and cellular devices. Our ability to invest in buffer stocks to mitigate extending lead times and potential risks associated with Brexit will put the business in a strong position to avoid any business interruption, support our key customers, and to be competitive in the market.

We are continuing to make progress on implementing our strategy of broadening our product offering for our target growth markets, through either M&A (such as Pacer) or organically through the signing of new franchises. During the period and as a direct result of the innovative approaches taken to ensure that trading continues and customers remain engaged throughout the pandemic, the business has been successful in securing new franchises including Redpine (a subsidiary of Silicon Labs). Redpine expands our product offering with an advanced portfolio of low power, secure, Wi-Fi and bluetooth communications products that are key for both industrial and commercial IoT and smart home applications.

Value Added Supplies (VAS) Division – Cont'

The integration of the Pacer business into the VAS division is now complete. Post period end capital projects have restarted with investments in a new wire bonder and a new semi automated die bonder for the cleanroom. This enhances the capabilities of the business to deliver premium opto-electronic assemblies and differentiates us in the marketplace. These tools have already secured new value added work delivering an opto-electronic assembly.

As reported previously COVID-19 has made demands on the business accelerating innovation in finding new ways to engage with customers. This has been done successfully with several of the initiatives now here to stay. Despite the difficulties of the first lockdown, the business found a way of delivering hands-on training to engineers over a web based platform. These initiatives have allowed the VAS division to drive much higher customer engagement than would otherwise have been possible. These events have delivered tangible benefits for the design-in pipeline and prospects, and will continue beyond the pandemic.

Across the Group order periods have shortened, reducing forward visibility towards the end of the period and as we entered the second half, however, order intake has begun to improve supported primarily by medical and military markets. Furthermore, our design-in pipeline is building giving the team confidence for the second half.

Manufacturing Division

Trading has been broadly comparable to the prior period with revenue of £13.5m (H1 2019/20: £14.1m). Our focus on margin improvement combined with appropriate cost management has substantially mitigated the adverse volume impact at a divisional profit level.

Power revenues into the commercial aerospace and oil and gas sectors have seen a significant downturn due to COVID-19. While these sectors remain important and will see some recovery in future, we continue the transition to higher growth markets including medical, autonomy and renewables which have generated increased revenues in the period.

We continue to seek and exploit opportunities to add value to our engineering and manufacturing capabilities through increasing focus on in-house design and development activities, creating products and technologies that differentiate us from other electronic manufacturers.

The successful grant application to Innovate UK under the Sustainable Innovation Fund initiative has accelerated development of our modular battery packs, principally for niche fossil fuel engine replacement opportunities. There has also been cross over to exciting, emerging sectors including drones, robotics and maritime applications.

Following the strategic decision made last year to develop our Battery Management System (BMS) capabilities in house, substantial progress has been made in developing a flexible BMS offering which is appropriate for broader applications complementing the Innovate programme.

Increased demand in our computing business has benefitted from government backed infrastructure programmes in transport and defence. "Edge computing" frequently, and necessarily in harsh environments, often requiring image capture and processing, is driving the market today which plays to our strengths. Artificial Intelligence of things ("AIoT") and 5G are the additional macro factors that will generate future growth opportunities.

Within our Computing team we have developed a number of new products for cyber security applications including novel TEMPEST enclosures to facilitate remote secure home working. These innovations are timely, given the recent UK Government announcement of additional funding for the MOD which will see an increasing focus on investment in cybersecurity as a strategic objective. A new modular range of servers has been launched, providing very high performance in small spaces and optimisation for processing intensive applications, big data handling, video analysis and AI.

Sales of our Radio communications and antenna products have been healthy in the period, largely driven by robust domestic and international government and military procurement, and we remain confident for the full year. The development of a portfolio of semi standard antenna designs has established a scalable base business, as we target longer term higher volume, "design-in" programmes.

Manufacturing Division – cont'

Our radio team has been developing our training and service offering to complement our own designed products which work alongside the core wave relay radio adding value to our customers. In addition, they have continued establishing a network of "resale partners" across Europe.

In October we recommenced a capital investment project in respect of establishing an in-house EMC testing capability. The Group will then have the full suite of test and measurement capabilities which will differentiate us from our competition.

We have been developing out the commercial and technical team and we are looking to make further investments in both commercial and technical resources and capital equipment to support the growth opportunities.

Financial Review

Group revenue is broadly comparable with the record performance in H1 2019/20 at £33.1m (H1 2019/20: £33.6m). Against the challenging macro economic back drop this is very pleasing.

Manufacturing revenues of £13.6m (H1 2019/20: £14.1m) reflect a small decline on the prior period. The oil and gas and commercial aerospace sectors have seen significant reductions in demand due to COVID-19 which has adversely impacted our Power business unit, however, our sector diversity gives the Manufacturing division some resilience and enables us to substantially mitigate this shortfall with stronger trading in the Computing and Communications business units.

Revenue in our VAS division was flat year on year at £19.5m (H1 2019/20: £19.5m) which is a notable achievement given the VAS market in the UK has seen a decline of 10.5% year on year according to the industry association. We have benefitted from the strong demand in government funded sectors such as security and defence, transport, and medical.

Group margins were stable at 29.9% (H1 2019/20: 30.1%). Product margins within our VAS division have been stable however the mix of customer sales has resulted in slight reduction in the gross margin in the period to 23.9% (H1 2019/20: 24.3%). Conversely Manufacturing margins have continued to improve to 38.6% (H1 2019/20: 38.1%) reflecting a stronger margin mix of customer sales. This provides some mitigation for the small reduction in revenue.

Reported overheads have decreased to £7.5m (H1 2019/20: £7.7m) principally due to a reduction in the share based payment charges and amortisation of acquisition intangibles meaning underlying overheads are £7.3m in both years. During the period the Company has taken appropriate cost reduction actions as a result of the COVID-19 downturn in addition to utilising the Coronavirus Job Retention Scheme. We have recognised £0.3m of grant income within other income in respect of furloughed staff avoiding redundancies where we anticipated the business would recover. The cost management offsets the impact of increased bad debt provisioning and the full year overhead investments made in the prior year.

Adjusted operating margin, an increasingly important measure of Group performance, is stable at 7.8% (H1 2019/20: 8.1%) and 60bps ahead of the full year FY20 adjusted operating margin of 7.2%. The improvement in operating margin in the Manufacturing division has largely offset the expected dilution of the increased scale of the VAS division.

Adjusted profit before tax for the first half is broadly consistent at £2.55m (H1 2019/20: £2.67m). Reported profit before tax was marginally up at £2.37m (H1 2019/20: £2.32m). This is reported after a share based payments charge of £nil (H1 2019/20: £0.15m), and amortisation of acquisition intangibles of £0.18m (H12019/20: £0.19m).

Following the approval at the AGM of new CSOP and LTIP schemes, and as announced previously an initial grant of share options has been made under these plans. Going forward it is anticipated that the annual share based payment charge for these awards will be comparable to the charges recognised in prior years.

Adjusted profit after tax was comparable in spite of the COVID-19 disruption at £2.22m (H1 2019/20: £2.40m). Reported profit after tax was £2.08m (H1 2019/20: £2.12m).

Adjusted diluted earnings per share was 25.6p (H1 2019/20: 27.8p) with basic EPS of 24.3p (H1 2019/20: 25.0p).

Financial Review – cont'

The inflow of cash from operating activities was £1.9m (H1 2019/20 inflow £3.5m). The reduction in cash generation is primarily due to the unwind of COVID-19 working capital inflows seen at 31 March 2020 as we have repaid VAT, PAYE and returned to normal terms with suppliers where short term extensions were agreed.

The Group has continued to grow our cash reserves which stand at £4.0m on 30 September 2020 (£3.2m on 31 March 2020) following positive cash generation in the first half. Our cash reserves in addition to our £7.5m of unutilised bank facilities place the Group in a strong financial position to fund future capital investment and acquisitions opportunities as they arise.

Dividends

The Board typically declares an interim dividend which is 30% - 40% of the anticipated full year dividend. The Board is pleased to be able to continue to adopt this approach in the current period in the face of a less certain trading environment.

Based on the strong trading performance in the first half of the year and prospects for the full year, the Board has decided to declare that it is holding the interim dividend at 5.25p per share (H12019/20: 5.25p).

The interim dividend will be paid on 19 February 2021 to shareholders on the register at the close of business on 29 January 2021. The shares will go ex-dividend on 28 January 2021.

Board structure

We have continued to implement planned changes to the structure and composition of the Board during the period, and recently announced that Nigel Rogers, who joined the Board as a Non-Executive Director last year, agreed to take over as Non-Executive Chairman of the Board from 17 November 2020. He replaces Peter Haining, who has served as Interim Chairman since 1 April 2020 and remains on the Board as a Non-Executive Director and Chair of the Audit Committee.

We also announced that Peter Magowan has agreed to join the Board on 1 January 2021 as a Non Executive Director. He has also agreed to Chair the Remuneration Committee and join the Audit Committee.

Peter brings extensive sales and marketing experience to this role, generated from his executive career as an early employee and main board member of ARM Holdings PLC, and as an Executive at Fidelity International Ltd and General Partner at Alta Berkeley Venture Partners. He holds a Bachelor of Science degree in Electrical and Electronic Engineering from the University of Manchester Institute of Science and Technology and a Diploma in Marketing from the University of Bristol Business School. Peter is also a Non-Executive Director at Filtronic PLC.

We welcome Peter to the Board and look forward to his contribution to the development and implementation of the Group's ambitious growth strategy.

Statement of Directors' Responsibilities

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated interim financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

Forward-looking statements

Certain statements in this half year report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Outlook

The first half has seen trading which is broadly comparable with the record prior period, against an extremely challenging market backdrop. This validates the Group's strategy and focus on ensuring we have sector, product and customer diversity, so providing a resilient business model.

Across the Group all our facilities have been able to remain open and operate with appropriate COVID-19 safe protocols. We have utilised the furlough CVJR grants through the period which have enabled us to minimise job losses and retain our skilled staff bringing them back from furlough as demand recovers.

The Group continues to work to ensure that we are fully prepared for a "no deal" Brexit. Our preparations through the cross collaboration of each division's Brexit task force are well advanced, and we believe that we are ready to manage the additional administrative burden that this would present.

The development in capabilities which the Group now has to offer (including opto-electronics, cleanroom production, enhanced test and measurement) positions the Group to be able to engage with its tier one customers on opportunities which we would not have been able to target previously. Our cross-division collaboration offering the full range of Group capabilities and products means the Group is now well placed to deliver organic growth, developing own brand products and solutions for the Group's target growth markets.

Complementing the organic growth ambitions, the Group has focused its near-term M&A strategy in two areas: facilitation of the internationalisation of the Group and acquisition of additional products / technology / IP and knowhow which accelerates our progress in our target growth markets beyond inhouse development to deliver additional shareholder value. We have a strong pipeline of potential acquisition targets which are at the early stages of discussion and evaluation. As ever, the Board will continue to apply its rigorous due diligence processes in implementing its acquisition strategy.

The open order book stood at £33.6m as at 30 November 2020. The current shift towards shortening order schedules is evident with the 0-3 month order book up 3% as at 30 November 2020 compared to 30 September 2020. Pleasingly we are seeing a positive trend in order intake, the 3 month rolling average order intake is showing an 8% increase compared to September. Trading since the end of the first half of the year has continued in-line with management expectations.

Whilst there is still some uncertainty as to potential impacts of COVID-19 and Brexit for the remainder of our financial year, the Board is confident of meeting its pre-COVID profit expectations for the year ending 31 March 2021 with profits expected to be similar to the prior year.

Finally, on behalf of the Board, I would like to acknowledge the significant contribution of our staff across the Group to Solid State's continued progress.

Gary Marsh
Chief Executive Officer
8 December 2020

INTERIM CONSOLIDATED INCOME STATEMENT

for the six months ended 30 September 2020

	Unaudited Six months to 30 Sept 20 £'000		Unaudited Six months to 30 Sept 19 £'000		Audited Year to 31 Mar 20 £'000
Continuing Operations					
Revenue	33,073		33,587		67,417
Cost of sales	(23,184)		(23,476)		(46,614)
	_______		_______		_______
Gross profit	9,889		10,111		20,803
Sales, general and administration expenses	(7,477)		(7,719)		(16,681)
	_______		_______		_______
Profit from operations	2,412		2,392		4,122
Finance costs	(39)		(67)		(120)
	_______		_______		_______
Profit before taxation	2,373		2,325		4,002
Tax expense	(296)		(203)		(588)
	_______		_______		_______
Adjusted profit after tax	2,219		2,401		(4,002)
Adjustments to profit	(142)		(279)		(588)
Profit after taxation	2,077		2,122		3,414
	_______		_______		_______
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	2,077		2,122		3,414
	_______		_______		_______
Other comprehensive income	-		-		-
	_______		_______		_______
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,077		2,122		3,414
	_______		_______		_______
Earnings per share (see below)					
Basic EPS from profit for the period	24.3p		25.0p		40.1p
Diluted EPS from profit for the period	24.0p		24.6p		39.5p

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2020 (unaudited)

	Share Capital	Share Premium Reserve	Foreign Exchange Reserve	Capital Redemption Reserve	Retained Earnings	Shares held in Treasury	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	427	3,627	(5)	5	16,021	(172)	19,903
IFRS16 Leases adjustment on adoption	-	-	-	-	(14)	-	(14)
Total comprehensive income for the period	-	-	-	-	2,122	-	2,122
Foreign exchange	-	-	2	-	-	-	2
Dividends	-	-	-	-	(706)	-	(706)
Share based payment expense	-	-	-	-	150	-	150
Balance at 30 September 2019	427	3,627	(3)	5	17,573	(172)	21,457
Total comprehensive income for the period	-	-	-	-	1,292	-	1,292
Rounding	(1)	-	-	-	1	-	-
Foreign exchange	-	-	(4)	-	-	-	(4)
Transfer of treasury shares to AESP	-	-	-	-	(129)	129	-
Share issue	1	(1)	-	-	-	-	-
Dividends	-	-	-	-	(447)	-	(447)
Share based payment expense	-	-	-	-	231	-	231
Balance at 31 March 2020	427	3,626	(7)	5	18,521	(43)	22,529
Total comprehensive income for the period	-	-	-	-	2,077	-	2,077
Foreign exchange	-	-	(2)	-	-	-	(2)
Dividends	-	-	-	-	(620)	-	(620)
Share issue	1	(1)	-	-	-	-	-
Balance at 30 September 2020	428	3,625	(9)	5	19,978	(43)	23,984

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
on 30 September 2020

	Unaudited as at 30 Sept 20	Unaudited as at 30 Sept 19	Audited as at 31 Mar 20
ASSETS	£'000	£'000	£'000
NON-CURRENT ASSETS			
Property, plant and equipment	2,553	2,259	2,286
Right of use lease assets	1,924	870	1,055
Intangible assets	8,018	8,668	8,213
	_______	_______	_______
TOTAL NON-CURRENT ASSETS	12,495	11,797	11,554
CURRENT ASSETS			
Inventories	8,762	9,404	9,662
Trade and other receivables	12,091	11,674	13,859
Deferred tax asset	86	103	86
Cash and cash equivalents	3,952	1,267	3,517
	_______	_______	_______
TOTAL CURRENT ASSETS	24,891	22,448	27,124
	_______	_______	_______
TOTAL ASSETS	37,386	34,245	38,678
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	(6,388)	(7,570)	(10,597)
Contract liabilities	(2,642)	(1,811)	(2,486)
Current borrowings	-	(666)	(333)
Corporation tax liabilities	(1,118)	(750)	(774)
Right of use lease liabilities	(518)	(332)	(471)
	_______	_______	_______
TOTAL CURRENT LIABILITIES	(10,666)	(11,129)	(14,661)
NON-CURRENT LIABILITIES			
Non current borrowings	-	(334)	-
Provisions	(697)	(250)	(304)
Deferred tax liability	(507)	(528)	(507)
Right of use lease liabilities	(1,532)	(547)	(677)
	_______	_______	_______
TOTAL NON-CURRENT LIABILITIES	(2,736)	(1,659)	(1,488)
	_______	_______	_______
TOTAL LIABILITIES	(13,402)	(12,788)	(16,149)
	_______	_______	_______
TOTAL NET ASSETS	23,984	21,457	22,529
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	428	427	427
Share premium reserve	3,625	3,627	3,627
Capital redemption reserve	5	5	5
Foreign exchange reserve	(9)	(3)	(5)
Retained earnings	19,978	17,573	16,021
Shares held in treasury	(43)	(172)	(172)
	_______	_______	_______
TOTAL EQUITY	23,984	21,457	19,903
	_______	_______	_______

CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 September 2020

	Unaudited Six months to 30 Sept 20	Unaudited Six months to 30 Sept 19	Audited Year to 31 Mar 20
	£'000	£'000	£'000
OPERATING ACTIVITIES			
Profit before taxation	2,373	2,325	4,002
Adjustments for:			
Depreciation	474	530	1,114
Amortisation	348	403	960
Impairment of right of use asset	-	-	84
(Profit) / loss on disposal of property, plant and equipment	(4)	(9)	(31)
Share based payment expense	-	150	381
Finance costs	39	67	120
	________	________	________
Profit from operations before changes in working capital and provisions	3,230	3,466	6,630
Decrease in inventories	886	263	1
Decrease / (increase) in trade and other receivables	1,735	1,747	(444)
(Decrease) / increase in trade and other payables	(3,988)	(1,910)	1,801
(Decrease) / increase in provisions	(7)	-	54
	________	________	________
Cash generated from operations	1,856	3,566	8,042
Income taxes received / (paid)	51	(20)	(385)
	________	________	________
	51	(20)	(385)
Net cash flows from operating activities	1,907	3,546	7,657
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(98)	(183)	(579)
Purchase of intangible assets	(153)	(180)	(281)
Proceeds from sale of property, plant and equipment	14	35	103
Consideration paid on acquisition of subsidiaries	-	-	-
	________	________	________
Net cash flow from investing activities	(237)	(328)	(757)
FINANCING ACTIVITIES			
Issue of ordinary shares	-	-	-
Borrowings drawn	-	-	-
Borrowings repaid	(333)	(4,667)	(5,334)
Payment obligations for right of use assets	(239)	(224)	(513)
Interest paid	(22)	(52)	(80)
Dividends paid to equity shareholders	(620)	(706)	(1,153)
	________	________	________
Net cash flow from financing activities	(1,214)	(5,649)	(7,080)
	________	________	________
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	456	(2,431)	(180)

CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 September 2020 (continued)

	Unaudited as at 30 Sept 20		Unaudited as at 30 Sept 19		Audited as at 31 Mar 20
	£'000		£'000		£'000
Translational foreign exchange on opening cash	(21)		6		5
Net (decrease) / increase in cash and cash equivalents	456		(2,431)		(180)
Cash and cash equivalents brought forward	3,517		3,692		3,692
	_______		_______		_______
Cash and cash equivalents carried forward	3,952		1,267		3,517
	_______		_______		_______

	Unaudited as at 30 Sept 20		Unaudited as at 30 Sept 19		Audited as at 31 Mar 20
	£'000		£'000		£'000
Represented by:					
Cash available on demand	3,952		1,267		3,517
	_______		_______		_______

NOTES TO THE INTERIM REPORT
for the six months ended 30 September 2020

1. Basis of preparation of interim financial information

General information

Solid State PLC ("the Company") is a public company incorporated, domiciled and registered in England and Wales in the United Kingdom. The registered number is 00771335 and the registered address is: 2 Ravensbank Business Park, Hedera Road, Redditch, B98 9EY.

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 31 March 2020, 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.

Basis of preparation

These condensed interim financial statements for the six months ended 30 September 2020 have been prepared in accordance with IAS 34, 'Interim financial reporting', as adopted by the European Union. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with IFRSs as adopted by the European Union.

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 31 March 2021.

As a result of the COVID-19 crisis and additional cashflow modelling of potential downside scenarios has been implemented in order to provide early warning of any liquidity risk.

The Group's severe but plausible downside financial forecasts and projections model the impact of an extended downside scenario associated with COVID-19 disruption and demand risks, together with the other principal risks identified by the Group for an 18-month period to 31 March 2022.

The severe but plausible downside scenario, applied to the Group's current financial forecasts, which take account of current solid trading and customer demand. The modelling reflects a ~30% reduction in FY22 revenue with no margin improvement partially offset by limited mitigations within the control of the company, including deferred investment in employee related costs and certain capital expenditure mitigations.

The modelling shows that the Group would have sufficient funding available to withstand this plausible downside scenario, and therefore the financial statements have been prepared on a going concern basis.

2. Accounting policies

The accounting policies are unchanged from the financial statements for the year ended 31 March 2020 other than as noted below.

Financial Instruments

The carrying value of cash, trade and other receivables, other equity instruments, trade and other payables and borrowings also represent their estimated fair values. There are no material differences between carrying value and fair value at 30 September 2020.

Additional disclosure of the basis of measurement and policies in respect of financial instruments are described on pages 103 to 109 of our 31 March 2020 Annual Report and remain unchanged at 30 September 2020.

Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2020.

Impairment

No Impairment charges have been recognised in the period to 30 September 2020.

Recent accounting developments

The accounting policies adopted are consistent with those of the previous financial year except as described below:

In preparing the interim financial statements, the Group has adopted the following Standards, amendments and interpretations, which are effective for 2020/21 and will be adopted in the financial statements for the year ended 31 March 2021:

- Amendments to IFRS 3, 'Business combinations', – Definition of a business
- Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors' – Definition of material.
- Amendments to IFRS 9, IAS 39 and IFRS 17: – Interest rate benchmark reform.
- Amendments to the Conceptual framework.

The adoption of these standards and amendments has not had a material impact on the interim financial statements.

3. Principal risks and uncertainties

The principal risks and uncertainties impacting the Group are described on pages 8 to 11 of our 31 March 2020 Annual Report and remain unchanged at 30 September 2020.

They include: Acquisition, product / technology change, supply chain interruption, retention of key employees, competition, financial liquidity, legislative environment and compliance, failure or malicious damage to IT systems and natural disasters.

4. Segmental information

	Unaudited Six months to 30 Sept 19 £'000	Unaudited Six months to 30 Sept 19 £'000	Audited Year to 31 Mar 20 £'000
Revenue			
Manufacturing	13,546	14,088	28,170
Value Added Supplies	19,527	19,499	39,247
Group revenue	**33,073**	**33,587**	**67,417**

5. Adjusted profit measures

	Unaudited Six months to 30 Sept 20 £'000	Unaudited Six months to 30 Sept 19 £'000	Audited Year to 31 Mar 20 £'000
Non recurring profit from sale of fully written down stock	--	-	(160)
Amortisation of acquisition intangibles	176	195	505
Share based payments	-	150	381
Taxation effect	(34)	(66)	(138)
Total adjustments to profit	**142**	**279**	**588**
Reported gross profit	9,889	10,111	20,803
Adjusted gross profit	9,889	10,111	20,643
Reported operated profit	2,412	2,392	4,122
Adjusted operated profit	2,588	2,737	4,848
Reported operating margin percentage	7.3%	7.1%	6.1%
Adjusted operating margin percentage	7.8%	8.1%	7.2%
Reported profit before tax	2,373	2,325	4,002
Adjusted profit before tax	2,549	2,670	4,728
Reported profit after tax	2,077	2,122	3,414
Adjusted profit after tax	2,219	2,401	4,002

6. The earnings per share

The earnings per share is based on the following:

	Unaudited Six months to 30 Sept 19 £'000	Unaudited Six months to 30 Sept 19 £'000	Audited Year to 31 Mar 20 £'000
Adjusted continuing earnings post tax	2,219	2,401	4,002
Reported continuing earnings post tax	2,077	2,122	3,414
	________	________	________
Weighted average number of shares	8,556,193	8,497,977	8,510,074
Diluted weighted average number of shares	8,668,786	8,625,945	8,635,331
	________	________	________
Reported EPS			
Basic EPS from profit for the period	24.3p	25.0p	40.1p
Diluted EPS from profit for the period	24.0p	24.6p	39.5p
Adjusted EPS			
Adjusted basic EPS from profit for the period	25.9p	28.3p	47.0p
Adjusted diluted EPS from profit for the period	25.6p	27.8p	46.3p

7. Dividends

Dividends paid during the period from 1 April 2019 to 30 September 2020 were as follows:

19 September 2019	Final dividend year ended 31 March 2019	8.30p per share
15 February 2019	Interim dividend year ended 31 March 2020	5.25p per share
23 September 2020	Final dividend year ended 31 March 2020	7.25p per share

The Directors are intending to pay an interim dividend for the year ending 31 March 2021 on 19 February 2021 of 5.25p per share. This dividend has not been accrued at 30 September 2020.

8. Share capital

	Unaudited Six months to 30 Sept 20 £'000	Unaudited Six months to 30 Sept 19 £'000	Audited Year to 31 Mar 20 £'000
Allotted issued and fully paid			
Number of ordinary 5p shares	8,564,878	8,532,878	8,548,878

	Unaudited Six months to 30 Sept 20 £'000	Unaudited Six months to 30 Sept 19 £'000	Audited Year to 31 Mar 20 £'000
Allotted issued and fully paid			
Ordinary 5p shares	428	427	427

9. Related party transactions

Consistent with the year ended 31 March 2020 the only related party transactions in the period were those with the trading companies which are used by the non-executive directors for their consultancy services. These transactions are disclosed in remuneration report in the annual report to the 31 March 2020 and will be updated in the full year report to the 31 March 2021. There are no other related party transactions.

10. Non-current assets

	Unaudited Six months to 30 Sept 20 £'000	Unaudited Six months to 30 Sept 19 £'000	Audited Year to 31 Mar 20 £'000
Goodwill	6,300	6,300	6,300
Acquisition intangibles	1,537	2,023	1,713
Research and development	100	184	100
Software	81	161	100
	_______	_______	_______
Intangible assets	8,018	8,668	8,213
Property plant and equipment	2,553	2,259	2,286
Right of use asset	1,924	870	1,055
	_______	_______	_______
Total Non Current Assets	12,495	11,797	11,554
	_______	_______	_______

The statement will be available to download on the Company's website: www.solidstateplc.com.