SOLID STATE PLC
TRUSTED TECHNOLOGY FOR DEMANDING ENVIRONMENTS

INTERIM REPORT 30 SEPTEMBER 2022

TRUSTED TECHNOLOGY FOR
DEMANDING ENVIRONMENTS

SYSTEMS

COMPONENTS

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DIRECTORS, SECRETARY AND ADVISERS

Directors:	Nigel Rogers, FCA, Non-Executive Chairman Gary Marsh, Chief Executive Officer Peter James, FCA, Director John Macmichael, Director Matthew Richards, Director Peter Haining, FCA, Non-Executive Director Peter Magowan, Non-Executive 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** 103 Colmore Row Birmingham West Midlands B3 3AG
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:	England and Wales
Legal Form:	Public Limited Company
Domicile:	Great Britain

Unaudited Interim Results for the six months ended 30 September 2022

Chairman's First Half review

I am pleased to report the results for the six months ended 30 September 2022 ("First Half", "Period" or "H1 2022/23").

We have made an excellent start to our financial year with Group revenue in the Period of £59.4m (H1 2021/22: £39.4m), up 51% on the prior period (like-for-like organic revenue growth is up 31%) despite the significant challenges presented by the well-publicised electronics supply chain constraints and the geopolitical volatility in the Period.

The Group's strategy and focus on ensuring we have sector, product, and customer diversity to provide a resilient business model has continued to prove its value and delivered significantly improved organic revenue growth in the Period.

Adjusted profit before tax has also increased to £5.23m up 59.9% (H1 2021/22: £3.27m). Reported profit before tax was £4.18m (H1 2021/22: £2.11m).

The acquisition of US based Custom Power in early August 2022, funded by an oversubscribed placing raising £28.26m before expenses and a new term loan of £13m provided by Lloyds Bank, has provided a step change in the internationalisation and technical competencies of our enlarged Power offering.

The integration of Custom Power is underway, with commercial collaboration progressing well, albeit at an early stage and order intake continues to be positive. Pleasingly, profit margins have also continued to trend positively with a focus on multi cell battery packs that incorporate management electronics where the engineering expertise is valued.

The Group continues to be acquisitive, focusing its M&A efforts in two areas: internationalisation of the Group and acquisition of products, technology, IP and knowhow to accelerate progress in our target growth markets. We have a good pipeline of potential acquisition targets which are at the early stages of discussion and evaluation.

Solid State continues to make good progress embedding ESG principles and values throughout its business. During the period the Group has commenced a recruitment process to appoint an additional independent non-executive director which is expected to be completed next year.

Having achieved our five-year goal of doubling EPS to in excess of 60p last year and announcing a goal to at least replicate those achievements, the Board continues to develop the next phase of its strategic plan. This will incorporate ambitious growth targets and our sustainable development agenda taking us to the end of the decade.

Based on the trading in the First Half and prospects for the full year, the Board is increasing the interim dividend to 6.5p (H1 2021/22: 6.25p). The interim dividend will be paid on 17 February 2023 to shareholders on the register at the close of business on 27 January 2023. The shares will go ex-dividend on 26 January 2023.

Current order intake continues to be strong and trading since the Period end has been ahead of 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.

Solid State has gained a competitive advantage from being proactive in managing the impacts of supply chain shortages, which continues to impact current trading. The business will need to be equally proactive in managing inventories and margin pressures against the weakening macro-economic environment in the UK. In the latter part of this financial year end and in to FY23/24 we anticipate seeing some supply chains start to improve. We have benefitted from strong current trading during Q3 23, meaning the Company now expects to be ahead of the current revenue and adjusted PBT consensus expectations for FY23.

Unaudited Interim Results of the six months ended 30 September 2022

Highlights in the period include:

	H1 2022/23	H1 2021/22	Change
Reported revenue	£59.4m	£39.4m	50.8%
Reported operating profit margin	7.5%	5.6%	190bps
Adjusted operating profit margin*	9.3%	8.6%	70bps
Reported profit before tax	£4.18m	£2.11m	98.1%
Adjusted profit before tax*	£5.23m	£3.27m	59.9%
Reported diluted earnings per share	36.4p	19.8p	83.3%
Adjusted diluted earnings per share	45.3p	32.7p	38.5%
Interim dividend	6.5p	6.25p	4.0%
Net cash flow from operations	£0.50m	£4.97m	(90.0%)

* Adjusted performance metrics are reconciled in note 5, the adjustments relate to IFRS 3 acquisition amortisation, share based payments charges and non-recurring charges in respect of acquisition costs and fair value adjustments.

	H1 2022/23	FY 2021/22	Change
Net cash / (net debt)**	£(16.1)m	£(5.2)m	209.6%
Open order book @ 30 September 2022 / 31 March 2022	£112.5m	£85.5m	31.6%

** Net cash / debt includes net cash with banks £14.1m (H1 2021/22: £5.3m), the fair value of deferred contingent consideration of £14.4m (H1 2021/22: £5.3m), bank loans of £15.8m (H1 2021/22: £2.0m) and excludes the right of use lease liabilities of £2.7m (H1 2021/22: £2.3m).

Financial highlights:

- Revenues for the Period of £59.4m (2021: £39.4m) including like-for-like constant currency organic revenue growth of circa 31% for the Period
- Adjusted profit after tax* for the Period of £4.16m (2021: £2.85m) a 46.0% year on year increase
- Operating cash generation of £0.58m delivers adj. operating cash conversion of 10% due to inventory investment
- Reported net debt excluding IFRS 16 lease obligations on 30 September 2022 of £16.1m (31 March 2022: £5.2m) (including deferred and contingent consideration of £14.4m (31 March 2022: £6.6m))
- Financial headroom within the Group's banking facilities is £9.2m (31 March 2022: £11.0)
- Robust open order book on 30 November 2022 of £117.8m, up 4.7% on 30 September 2022 of £112.5m, and up 37.8% on year end of £85.5m at 31 March 2022.

Commercial and operational highlights:

- Several important contract wins in the First Half previously announced including: Innovative pollination contract, Power design appointment; Transport for London contract and post period end awards of two significant communications contracts in the defence sector by the NATO Support and Procurement Agency
- Completion of the acquisition of US based Custom Power in early August 2022 funded by an oversubscribed placing raising £28.26m before expenses and £13.0m of new bank facilities provided by Lloyds Bank
- Integration of Custom Power is underway, with commercial collaboration progressing well
- Installation of the new wire bonding technology in our advanced UK battery pack manufacturing facility
- Distribution contract signed with Laird Connectivity, wireless System on Module (SoM) provider
- Completion of Willow Technologies integration into the Components Division
- High profile component franchise EMEA bookings award - recognition of quarter-on-quarter growth.

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

"The Group has delivered excellent first half results and is building strong momentum despite a more challenging macro-economic climate.

"The successful acquisition of Custom Power has added resilience to the Group and accelerated the expansion of our Power business in the key North American market. We continue to see acquisitions as a key pillar of our growth strategy alongside internal investment to fuel organic growth.

Unaudited Interim Results of the six months ended 30 September 2022

"Group-wide we have worked closely with customers and suppliers to mitigate the impact of global component shortages and macro-economic challenges. This is evident in the order flow and the strong open order book, which gives the Board confidence in the outturn[1] for the full year."

[1]Analysts from brokers WH Ireland Limited, finnCap Limited, and Edison Investment Research Limited, provide equity research on Solid State, and the Company considers the average of their research forecasts to represent market expectations, being, for Solid State's 2022/23 financial year, revenue of £120.3m (previously £117.3m), and adjusted profit before tax of £10.45m (previously £9.4m).*

Nigel Rogers (Non-Executive Chairman)

6 December 2022

Business Overview

Solid State PLC supplies components and systems, primarily designed for demanding applications where safety, performance, reliability and quality are critical. This enables customers to focus on their core business with confidence by delivering trusted technology for demanding environments.

The Group's overarching purpose is to establish its position as an international leader in providing sustainably engineered electronics technology systems and components enabling stakeholders to realise value, maximise efficiencies and reduce waste.

The Group is focused on the design-in, supply and support of sustainably engineered specialist electronics equipment from components, sub-assemblies, and embedded systems, through to complete integrated electronic solutions.

Solid State's organic growth strategy is to actively target growth sectors with high barriers to entry that require accreditations, long standing credibility, and specialist skills and experience, including security and defence, medical, green tech, transport, and energy.

The Group operates through two operating divisions: Components and Systems. They have distinct characteristics in their respective markets; however, they have a common mission, a clear strategy, and consistent business values.

The Components Division is developing its offering in three areas: own brand manufactured components, franchised components, and the provision of value-added services such as sourcing and obsolescence management. The Components Division is a specialist in delivering innovative, valuable, technical solutions for customers seeking cutting edge, electronic, opto-electronic, electro-mechanical components and displays with market leading value-added capabilities.

The Systems Division has market leading capabilities in the design, development and supply of high specification industrial computers, circuit board level design and manufacturing capabilities primarily for image capture, processing, transmission, custom battery packs providing portable power and energy storage solutions and advanced communication systems, encompassing wideband antennas and high-performance radio products.

The Group is the subject matter expert for its customers, with deep industry knowledge and longstanding key supplier relationships. When designing-in solutions to address customer needs, the Group selects the most appropriate component, module, computing technology, cell chemistry or communications solution which ensures Solid State is a trusted partner.

Solid State constantly seeks to add value for its customers, who are typically looking to embrace the adoption of the enabling technologies where the Group has industry leading component and manufacturing expertise, such as electronic and optoelectronic component design-in, image processing, AI ("Artificial Intelligence"), IoT ("Internet of Things"), fossil fuel replacement, power switching, cordless & portable power, and leading-edge communications / antenna solutions.

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 / talent / technology / IP and knowhow which can accelerate our progress in our target growth markets.

Unaudited Interim Results for the six months ended 30 September 2022

Chief Executive's First Half review

Key stakeholder engagement

The Group is seeing record customer demand for our systems and components and the open order book at the end of September 22 was £112.5m (31 March 2022: £85.5m), which is up 32%. The increased demand is across our business, with several new projects which had been delayed due to a combination of macro-economic factors (Brexit, COVID and shortages) now being delivered. This has resulted in like-for-like constant currency organic revenue growth of circa 31%, with reported revenue of £59.4m.

The First Half has seen continued shortages in the electronic components sector. Leveraging the benefits of a Components Division within the Group and the semiconductor market intelligence it can share across the entire Company has played an important part in achieving the levels of growth reported today. Our proactive approach to engaging with our customers (which began as early as the late summer of 2020), investments in inventories and increased order cover has helped us and our customers to minimise the impacts. Lead times are expected to continue to be extended for many components through the second half of FY22/23 and into FY23/24, albeit for some components we have started to see lead times beginning to reduce. In managing the supply chain challenges we continue to face increased working capital demands to secure product. In managing supply price rises, which vary significantly, we have communicated these carefully to our customers, and there has been clear recognition of the need for the financial effects to be passed on via increased selling prices. The Group's strong customer relationships and its strong balance sheet puts Solid State and its customers in a good position to ensure that together product is secured, albeit the lead times are on occasion significantly extended.

Benefitting from our recent acquisitions

In the First Half we have benefitted from the acquisition of Custom Power. The integration of that business is underway, with commercial collaboration progressing well, albeit at an early stage.

The engagement from the Custom Power team and other recently acquired business teams to maximise the benefits of being part of an enlarged Group has delivered tangible benefits and opportunities. We are currently participating on projects that would not have been achievable without the acquired capabilities.

Our due diligence identified that Custom Power has been adversely impacted by component lead times which continue to present headwinds. Pleasingly both billings and order intake have been encouraging post period end with a strong start to Q3 23 in-line with management's expectations. Profit margins have also continued to trend positively with a focus on winning business where the engineering expertise in the battery packs is valued.

Delivery of the strategy

Enhancing our international sales channels

The acquisition of Custom Power provides a step change in our US power sales offering with its established representative network in the USA. Moving forward, the Group will continue to develop the USA sales channel by expanding that representative network and adding Field Application Engineers capable of selling our own brand products from the Systems Division, such as our antenna solutions and our own brand secure computing offering, as well as our own brand components within the Durakool® portfolio and the Pacer® branded components.

In addition to the own brand components that can be sold globally, the Group also has several pan-European franchises that provide opportunities to deliver organic growth as the Group looks to develop its EU sales channel. Recent acquisitions have brought the Group some local sales engineers, representatives, and distribution partners in the EU. These foundations provide an initial platform from which the Group is looking to develop its European sales channels.

Broadening our portfolio of complementary components and products

Our Components Division has continued to develop its portfolio of franchise manufacturers in the First Half signing Laird Connectivity who provide wireless System on Module ("SoM") products for the latest WiFi and Bluetooth standards enhancing our IoT offering.

During this period of shortages in the electronics sector, our breadth of components has enabled us to support customers in designing-in and supplying second sources for many components, providing customers with some resilience. This work adds value and continues to provide new opportunities for the Group.

The Group continues to invest in R&D projects across both Systems and Components, further developing our product portfolio. As the Group grows, we will continue to benefit from the UK R&D tax credit scheme albeit based within the large company RDEC framework.

Developing our own brand and modular components and products

The Systems Division has made significant progress in our product development. The Computing business unit is seeing strong demand from the defence sector for embedded computing including our own brand fan-less computing offering (including the low magnetic signature computing products). The investment in our in-house test and measurement capabilities such as our EMC ("Electromagnetic compatibility") chamber have proved particularly valuable in differentiating our systems capabilities. Post period end we have invested further in additional test equipment and software for the EMC chamber that will allow for pre compliance TEMPEST ("Telecommunications Electronics Material Protected from Emanating Spurious Transmissions") testing.

The Communications business unit's portfolio of standard and semi-custom products (horns, spirals, and sinuous antennas) continues to deliver a stable platform of run rate business over which longer term and larger programmes and strategic relationships are being targeted to provide upside opportunities for significant organic growth. Our complementary products allied to the Persistent Systems mesh network radio product has enabled the radio team to secure two new prestigious customer programmes. As part of these programmes the team are providing associated product training and support alongside own brand command and control hardware adding significant value to the customer relationship.

Within our Power business unit, we have seen high demand for customer specific development projects which has resulted in limitations on our engineering resource. This has meant that the development of our scalable and flexible modular pack solutions is taking longer than anticipated.

We have however made significant progress in the Period in addressing some of the resourcing challenges by forming a joint venture engineering technology centre in the North East of England, eTech Developments Ltd ("eTech"). eTech has been able to initially recruit a core team of highly experienced engineers to support the Group's engineering and development needs in the power and power switching arena.

The customer programmes provide exciting commercial opportunities and have progressed our technology building blocks, enhancing our capabilities which will be applicable to multiple high growth, un-commoditised industrial markets that are adopting either a low carbon power source, or an off-grid power source.

The acquisition of Custom Power has further enhanced our battery pack technology portfolio and the aim is to share this expertise across the wider power business unit once US export control regulations have been fully evaluated.

Furthermore, Custom Power enhances our supply chain partnerships with a portfolio of cell manufacturers adding valuable new relationships to the Group across a broad range of chemistries including lead acid, lithium, lithium iron phosphate and non-lithium chemistries such as nickel metal hydride. We continue remain aware of emerging battery technologies including solid state battery developments being driven by the automotive sector. We remain a subject matter expert offering our customers the most appropriate chemistry for their given application.

Developing product range for strategic growth markets

Our Components Division has focused on ensuring they supply many of the major components used within target growth markets such as: EV charging infrastructure where we supply electromechanical switches, contactors, displays, Bluetooth and cellular interfaces and the embedded processing.

These components are also critical to the next generation of technology being adopted in the utility sector as smart metering is rolled out globally and the PSTN ("Public Switched Telephone Network") network is being replaced with IP ("Internet Protocol") communications technologies. In addition, the Group's opto-electronic component manufacturing team is continuing to develop the portfolio of optical sensing components that are supplied to tier one OEMs ("Original Equipment Manufacturers") within the medical sector which complement our core semiconductor electronic components.

The addition of Active Silicon's vision and image processing technology and circuit board level design, combined with our industrial embedded computing and engineering capability, has enabled our enlarged Systems Division to provide more integrated system solutions to our strategic growth markets for industrial image processing and in the First Half we have been developing systems which we could not have delivered without the enlarged systems technology offering.

The acquisition of Custom Power has brought the Group a recognised portfolio of battery technologies across target growth markets in medical and defence. They have expertise in high performance battery packs for drone applications requiring specialist engineered solutions including the use of lightweight materials and battery heating technologies.

Enhancing our technical manufacturing expertise

As reported at year end, the Group has made significant capital investments further enhancing its manufacturing and assembly capabilities with the new in-house EMC chamber and the commissioning of our wire bonding capability to enable semi-automated battery pack manufacturing.

In addition to the investment in equipment the Group continues to advance its manufacturing processes and accreditations across both Components and Systems to enable us to win business in sectors such as medical and aerospace where accreditations are a prerequisite.

The combination of the enhancement of our capital equipment and accreditations provides the Group with the credentials to manufacture and test components and systems for markets with high barriers to entry which recognise the engineering value add in the quality of the solutions provided.

Industry leading talent development

Talent development and engagement is a core value of the Group and is a strength which underpins the retention of our industry leading team. The increasing size and scale of the Group provides additional opportunities for development.

Most recently Custom Power has added significant talent to the Group across multiple areas. In addition to the Custom Power team the Power division has been involved in helping to incubate a start-up company, eTech, with a nucleus of highly experienced power engineers. Together these new teams have added strength and depth to the Group's power engineering capabilities which are critical to our organic growth ambitions in this area. The acquisition of Custom Power now enables the Group to realise opportunities to increase our service to international customers.

In addition to continuing to add engineering talent, the Group has also added expertise, with new recruits in operations, HR, procurement, and finance. Developing our talent pool will underpin the Group's ability to deliver future growth. The Group continues to actively seek additional talent and skills across the business to drive the exciting organic growth opportunities the Group is targeting.

Financial Review

Group revenue is up 51% at £59.4m (H1 2021/22: £39.4m) with the Group benefiting from the acquisitions of Custom Power and US Dollar foreign currency tail winds.

Reported revenue growth was aided by a stronger US dollar, although the profit effect was mitigated by a natural hedge from component purchases also denominated in US dollars, resulting in a depressed gross margin percentage. Underlying revenue on a like-for-like and constant exchange rate basis reflects organic growth of approximately 31%, which benefitted from the investment in inventories to provide some mitigation to the electronic component shortages and extended lead times.

The Group has continued to benefit from demand in government funded sectors such as transport, security, and defence.

Revenues in the Components Division of £35.3m (H1 2021/22: £24.1m) are up 46% and saw significant benefit from the investment in inventory to secure product, facilitating the demand which has been built up post Brexit / COVID and compounded by the extended lead times.

The Systems Division revenues of £24.0m (H1 2021/22: £15.2m) are up 58% benefitting from the Custom Power acquisition in early August 2022.

The Power business unit ("BU") faced headwinds owing to component shortages and customer programmes being delayed as a result of other elements of the customers BoM ("Bill of Materials") being overdue combined with customer design in programmes progressing more slowly due to extended component and cell lead times. However, the level of design activity and the order book has strengthened which provides confidence for H2 2022/23 and beyond.

Demand in our Computing Systems and Communications business units has continued to be strong benefitting from government defence and infrastructure projects and our inventory holding has enabled us to deliver despite the extended lead times. The Group's diversity provides some resilience enabling the Group to mitigate projects delays in any given area.

First Half order intake has been very strong across the Group with solid demand from all our target sectors. As lead times start to shorten and we enter a period of likely recession we recognise that the business environment and competitive landscape is likely to become increasingly challenging, putting increased pressure on all businesses which may result in customer demand being rescheduled. We therefore remain cautious in our expectations for the full year outturn, however the nature of our diverse customer base means we remain confident the Group's prospects remain strong.

Group reported gross margins saw a small reduction to 31.6% (H1 2021/22: 32.7%) albeit the impact of FX was a headwind of circa 2.7% from the stronger US dollar as noted above. FX aside, underlying Group margins improved slightly benefitting from the strategic actions, both organic and acquisitive, to enhance the mix of products sold, increasing the proportion of own brand products, high value-added systems, solutions and services which command higher margins.

Reported overheads have increased to £14.3m (H1 2021/22: £10.7m) principally due to the additional overhead associated with the acquisitions adding circa £1.2m; a circa £1.9m increase to invest in people including additional headcount, employee pay rises, commissions, and recruitment fees; and recognition of a specific doubtful debt provision of £0.4m. The Group continues to invest to drive organic growth post COVID with increased travel and exhibition attendance. Also included within the reported overheads are share based payment charges and amortisation of acquisition intangibles totalling circa £0.8m. Despite the impact of IFRS3 acquisition accounting charges and the increased cost base as noted, reported profit before tax was still significantly higher at £4.18m (H1 2021/22: £2.11m).

Adjusted operating margin, an increasingly important measure of Group performance, has increased to 9.3% (H1 2021/22: 8.6%). Both divisions have seen an improvement in adjusted operating margin, as significant organic growth has delivered operational gearing benefits, albeit the improvement is slightly flattered by the recruitment of new personnel being hard to find and only joining towards the end of the Period.

Financial Review - cont'

Adjusted profit before tax for the First Half is up 59.9% at £5.23m (H1 2021/22: £3.27m). This is reported after a share based payments charge of £0.11m (H1 2021/22: £0.18m), amortisation of acquisition intangibles at £0.66m (H1 2021/22: £0.51m), an increase to the earn out deferred consideration of £nil (H1 2021/22: £0.30m) and the unwinding of the stock fair value adjustment of £0.09m (H1 2021/22: £0.17m). The unwinding of the stock fair value adjustment is expected to be one off in nature whereas the amortisation of acquisition intangibles and share based payments charges will see increased charges in the second half of FY22/23.

Adjusted profit after tax was also up 46% at £4.16m (H1 2021/22: £2.85m). Reported profit after tax was £3.34m (H1 2021/22: £1.73m).

In the future, the rise in corporate tax rates to 25% from 19% for the financial year 2023-24 will result in an increased effective tax rate albeit the benefit of R&D tax credits will continue to mean our effective rate is below the standard rate of corporation tax. As the Group continues to grow the R&D benefit will reduce as we will only be eligible for the large company RDEC scheme.

All this has translated into an excellent start to our financial year with adjusted diluted earnings per share at 45.3p (H1 2021/22: 32.7p) and with basic EPS of 37.2p (H1 2021/22: 20.2p).

The inflow of cash from operating activities was £0.5m (H1 2021/22 inflow £5.0m) reflecting our significant continued investment in inventories to secure organic growth, giving an adjusted operating cash conversion of 10% (H1 2021/22: 148%).

In the last 18 months the Group has invested £10.2m into Inventory, securing product to put the Group in a strong position to service our customers and this has been critical to delivering the high double digit organic growth.

The Group has invested £0.7m in capital projects (H1 2021/22 £0.8m) reflecting continued confidence in our growth opportunities and an ambition to continue to differentiate our offering.

Deferred consideration for acquisitions totals £14.4m net of discounting (31 March 2022: £6.6m). The deferred consideration includes £2.0m for Active Silicon and £12.4m in respect of Custom Power. The gross deferred and contingent consideration for Custom Power totals $15m. This has been discounted to $13.9m at acquisition. The discount will be unwound over the period of deferment. Payments in the First Half of £4.6m were made in respect of Active Silicon and Willow Technologies.

The Group has net debt with banks of £1.71m on 30 September 2022 (£1.42m net cash with banks on 31 March 2022) following the debt and equity funding that was put in place to fund the acquisition of Custom Power.

Net debt (excluding IFRS16 lease obligations) on 30 September 2022 rose to £16.1m (31 March 2022: £5.18m) which includes deferred contingent consideration of £14.4m (31 March 2022: £6.6m) and the new debt funding.

The Group has a £7.5m revolving credit facility of which £4.6m is undrawn which, combined with the Group's cash reserves, mean the Group is in a strong financial position to fund future working capital requirements, capital investment and acquisition opportunities as they arise.

Group net assets have increased to £60.5m (31 March 2022: £27.1m) primarily due to the equity fund raise adding £27.0m, total comprehensive income in the period of £3.3m and foreign exchange gain on retranslation of US assets of £2.9m.

Dividends

The Board is committed to maintaining a progressive dividend policy as part of delivering growth in shareholder returns, albeit with the recent acquisitions and the growth ambitions, dividends are expected to be a smaller component of total shareholder returns.

Having secured a term loan to part finance the acquisition of Custom Power and against a backdrop of increasing interest rates, the Board is proposing a modest progression in the dividend. Given the strong trading performance in the First Half and prospects for the full year, the Board has decided to declare an increase in the interim dividend up 4% to 6.5p per share (H1 2021/22: 6.25p). This follows a full year dividend increase of 22% last financial year.

The interim dividend will be paid on 17 February 2023 to shareholders on the register at the close of business on 27 January 2023. The shares will go ex-dividend on 26 January 2023.

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 set out in the basis of preparation paragraph within the accounting policies, 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 be 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 arising as a result of new information, future events or otherwise.

Outlook

The First Half has seen a record underlying trading period, against a challenging market backdrop. The Group's strategy and focus on ensuring we have sector, product, and customer diversity to provide a resilient business model has continued to prove its value.

Having completed the acquisition of Custom Power we have established the capability to target and service our international power customers. This will be a key foundation of delivering significant organic growth in our target markets in the medium term. Furthermore, this opens up opportunities for cross-division collaboration, offering the full range of Group capabilities and products means the Group continues to be well placed to deliver organic growth, developing own brand products and solutions for the Group's target growth markets.

The continued development of the technical capabilities which the Group now has to offer (including enhanced test and measurement, semi-automated wire-bonding for battery pack manufacturing and enhanced engineering capabilities) better positions the Group to be able to engage with its tier one customers.

Extended component lead times mean customer order cover remains at c.18 months (50% longer than historical norms). This increases the absolute value of the order book which stands at £117.8m on the 30 November 2022. We expect that as lead times start to normalise so will customer order cover and the associated order book value. The strength of the order book gives the board significant confidence for the second half and into FY23/24.

The Board is confident of exceeding previous expectations for the year ending 31 March 2023. Whilst there is still some uncertainty as to potential impacts of component shortages and lead times, there is potential further upside in the second half of the year, delivery of which is dependent upon the impact of the supply chain constraints.

Finally, the Board continues to recognise that the excellent progress and execution of the Group's strategy is only possible because of the hard work and contribution from our staff across the whole of the Group. Consequently, the Board would like to extend its thanks to all Group employees.

Gary Marsh (Chief Executive Officer)
6 December 2022

INTERIM CONSOLIDATED INCOME STATEMENT
for the six months ended 30 September 2022

	Unaudited Six months to 30 Sept 22 £'000	Unaudited Six months to 30 Sept 21 £'000	Audited Year to 31 Mar 22 £'000
Continuing Operations			
Revenue	59,357	39,381	84,997
Cost of sales	(40,588)	(26,495)	(57,470)
	_______	_______	_______
Gross profit	18,769	12,886	27,527
Sales, general and administration expenses	(14,296)	(10,671)	(23,801)
	_______	_______	_______
Profit from operations	4,473	2,215	3,726
Finance costs	(291)	(106)	(226)
	_______	_______	_______
Profit before taxation	4,182	2,109	3,500
Taxation expense	(843)	(379)	(977)
	_______	_______	_______
Adjusted profit after taxation	4,160	2,845	6,158
Adjustments to profit	(821)	(1,115)	(3,635)
Profit after taxation	3,339	1,730	2,523
	_______	_______	_______
Profit attributable to equity holders of the parent	3,343	1,730	2,523
Profit/ (loss) attributable to non-controlling interests	(4)	-	-
	_______	_______	_______
	3,339	1,730	2,523
Other comprehensive income	-	-	261
	_______	_______	_______
Adjusted total comprehensive income for the period	4,160	2,845	6,158
Adjustments to total comprehensive income	(821)	(1,115)	(3,374)
Total comprehensive income for the period	3,339	1,730	2,784
	_______	_______	_______
Comprehensive income attributable to equity holders of the parent	3,343	1,730	2,784
Comprehensive income attributable to non-controlling interests	(4)	-	-
	_______	_______	_______
	3,339	1,730	2,784
Earnings per share (see note 6)			
Basic EPS from profit for the period	37.2p	20.2p	29.5p
Diluted EPS from profit for the period	36.4p	19.8p	28.9p

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2022 (unaudited)

	Share capital	Share premium reserve	Foreign exchange reserve	Capital redemption reserve	Retained earnings	Shares held in treasury	Total	Non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021	428	3,625	6	5	21,508	(70)	25,502	-	25,502
Total comprehensive income for the period	-	-	-	-	1,730	-	1,730	-	1,730
Foreign exchange	-	-	35	-	-	-	35	-	35
Dividends	-	-	-	-	(920)	-	(920)	-	(920)
Share based payment credit	-	-	-	-	179	-	179	-	179
Balance at 30 September 2021	428	3,625	41	5	22,497	(70)	26,526	-	26,526
Total comprehensive income for the period	-	-	-	-	1,054	-	1,054	-	1,054
Purchase of treasury shares	-	-	-	-	-	(80)	(80)	-	(80)
Foreign exchange	-	-	(8)	-	-	-	(8)	-	(8)
Transfer of treasury shares to All Employee Share Plan	-	-	-	-	(93)	93	-	-	-
Dividends	-	-	-	-	(533)	-	(533)	-	(533)
Share based payment credit	-	-	-	-	116	-	116	-	116
Rounding	-	-	-	-	1	-	1	-	1
Balance at 31 March 2022	428	3,625	33	5	23,042	(57)	27,076	-	27,076
Issue of new Shares	138	26,850	-	-	-	-	26,988	-	26,988
Total comprehensive income for the period	-	-	-	-	3,343	-	3,343	(4)	3,339
Foreign exchange	-	-	2,905	-	-	-	2,905	-	2,905
Dividends	-	-	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-	50	50
Share based payment credit	-	-	-	-	113	-	113	-	113
Balance at 30 September 2022	566	30,475	2,938	5	26,498	(57)	60,425	46	60,471

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
on 30 September 2022

	Unaudited as at 30 Sept 22	Unaudited as at 30 Sept 21	Audited as at 31 Mar 22
Assets	£'000	£'000	£'000
Non-current assets			
Property, plant and equipment	4,838	3,404	3,414
Right of use lease assets	2,652	2,206	1,983
Intangible assets	47,198	16,027	15,831
Deferred tax asset	3,143	-	539
	_______	_______	_______
Total non-current assets	57,831	21,637	21,767
Current assets			
Inventories	24,940	12,728	17,598
Trade and other receivables	24,711	14,986	17,978
Deferred tax asset	-	203	-
Cash and cash equivalents – on deposit	8,929	-	-
Cash and cash equivalents – available on demand	7,117	5,323	4,983
	_______	_______	_______
Total current assets	65,697	33,240	40,559
	_______	_______	_______
Total assets	123,528	54,877	62,326
	_______	_______	_______

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
on 30 September 2022

	Unaudited as at 30 Sept 22	Unaudited as at 30 Sept 21	Audited as at 31 Mar 22
Liabilities	£'000	£'000	£'000
Current liabilities			
Trade and other payables	(17,040)	(12,759)	(16,488)
Current borrowings	(2,122)	-	(2,059)
Contract liabilities	(5,209)	(2,720)	(3,461)
Deferred consideration on acquisitions - current	(14,414)	(4,200)	(4,625)
Corporation tax liabilities	(1,312)	(986)	(531)
Right of use lease liabilities	(1,338)	(694)	(758)
Total current liabilities	(41,435)	(21,359)	(27,922)
Non-current liabilities			
Non-current borrowings	(15,628)	(2,000)	(1,500)
Provisions	(717)	(694)	(694)
Deferred tax liability	(3,867)	(1,666)	(1,832)
Right of use lease liabilities	(1,410)	(1,582)	(1,326)
Deferred consideration on acquisitions	-	(1,050)	(1,976)
Total non-current liabilities	(21,622)	(6,992)	(7,328)
Total liabilities	(63,057)	(28,351)	(35,250)
Total net assets	**60,471**	**26,526**	**27,076**
Share capital	566	428	428
Share premium reserve	30,475	3,625	3,625
Capital redemption reserve	5	5	5
Foreign exchange reserve	2,938	41	33
Retained earnings	26,498	22,497	23,042
Shares held in treasury	(57)	(70)	(57)
Capital and reserves attributable to equity holders of the parent	60,425	26,526	27,076
Non-controlling interests	46	-	-
Total equity	**60,471**	**26,526**	**27,076**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 September 2022

	Unaudited Six months to 30 Sept 22	Unaudited Six months to 30 Sept 21	Audited Year to 31 Mar 22
	£'000	£'000	£'000
Operating activities			
Profit before taxation	4,182	2,109	3,500
Adjustments for:			
Property, plant and equipment depreciation	458	326	729
Right of use asset depreciation	433	365	763
Amortisation	922	691	1,327
(Profit) / loss on disposal of property, plant and equipment	(19)	(14)	3
Share based payment expense	113	179	295
Finance costs	291	106	226
Recognition of increase in deferred contingent consideration	-	-	1,651
Profit from operations before changes in working capital and provisions	6,380	3,762	8,494
Increase in inventories	(3,370)	(2,084)	(6,922)
Increase in trade and other receivables	(2,736)	(731)	(3,679)
Increase in trade and other payables	305	4,084	8,140
Decrease in provisions	-	(47)	(47)
Cash generated from operations	579	4,984	5,986
Income taxes paid	(79)	(13)	(941)
Net cash flows from operating activities	500	4,971	5,045
Investing activities			
Purchase of property, plant and equipment	(730)	(756)	(1,178)
Capitalised own costs and purchase of intangible assets	(183)	(160)	(601)
Proceeds from sale of property, plant and equipment	47	33	81
Payments for acquisition of subsidiaries net of cash acquired	(29,156)	(2,572)	(2,572)
Net cash flows from investing activities	(30,022)	(3,455)	(4,270)
Financing activities			
Issue of ordinary shares	26,988	-	-
Repurchase of ordinary shares into treasury	-	-	(80)
Borrowings drawn	14,505	-	-
Borrowings repaid	(156)	(1,750)	(2,250)
Payment obligations for right of use assets	(458)	(394)	(871)
Interest paid	(270)	(75)	(127)
Dividends paid to equity shareholders	-	(920)	(1,453)
Transactions with non-controlling interests	50	-	-
Net cash flows from financing activities	40,659	(3,139)	(4,781)
Increase/ (decrease) in cash and cash equivalents	11,137	(1,623)	(4,006)

CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 September 2022 (continued)

	Unaudited as at 30 Sept 22		Unaudited as at 30 Sept 21		Audited as at 31 Mar 22
	£'000		£'000		£'000
Translational foreign exchange on opening cash	83		32		16
Net increase / (decrease) in cash and cash equivalents	11,137		(1,623)		(4,006)
Net cash and cash equivalents brought forward	2,924		6,914		6,914
	_______		_______		_______
Net cash and cash equivalents carried forward	14,144		5,323		2,924
	_______		_______		_______

	Unaudited as at 30 Sept 22		Unaudited as at 30 Sept 21		Audited as at 31 Mar 22
	£'000		£'000		£'000
Represented by:					
Cash and cash equivalents - available on demand	7,117		5,323		4,983
Cash and cash equivalents - on deposit	8,929		-		-
Cash and cash equivalents – overdraft facility	(1,902)		-		(2,059)
	_______		_______		_______
Net cash and cash equivalents	14,144		5,323		2,924
	_______		_______		_______

NOTES TO THE INTERIM REPORT
for the six months ended 30 September 2022

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 2022, prepared in accordance with UK-adopted International Accounting Standards, 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 2022 have been prepared in accordance with IAS 34, 'Interim financial reporting', as contained in UK-adopted International Accounting Standards except for the acquisition accounting fair value exercise, where the recognition of the deferred tax positions, the fair value of the consideration and therefore the goodwill are on a provisional basis.

The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2022, which have been prepared in accordance with UK-adopted International Accounting Standards.

The consolidated interim financial statements have been prepared in accordance with the recognition and measurement principles of UK-adopted International Accounting Standards expected to be effective for the year ending 31 March 2023.

Going concern

In assessing going concern the Directors gave careful consideration of the potential impact of the global electronic component shortages on the cashflows and liquidity of the Group over the next 12 month period.

Throughout the COVID pandemic, the United Kingdom's exit from the European Union, and the supply chain shortages customer demand has remained solid. Customer order cover remains extended, helping us to manage the global electronics supply chain issues. The most significant impact on the Group's future performance is the uncertainty arising from the extending electronic component lead times. Management have taken all possible actions to minimise and mitigate the potential impact of shortage.

Shortages are expected to continue be a significant factor in the financial year 2022/23 and in to 2023/24 and the risk does have the potential to adversely impact performance. While the actions do not mitigate the risk fully it certainly has significantly reduced the impact in the first half of 2022/23 and positions the Group to manage the period beyond as effectively as possible. In assessing going concern for the period ended 30 September 2022, the financial modelling applied various sensitivity scenarios to a base case to 31 March 2024 which was prepared based on an extension of the budget for FY22/23.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months, therefore it is appropriate to adopt a going concern basis for the preparation of the interim financial information. Accordingly, this interim financial information does not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group and Company were unable to continue as a going concern.

2. Accounting policies

The accounting policies are unchanged from the financial statements for the year ended 31 March 2022 other than as noted below.

2. Accounting policies

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. Other than the impact of discounting the deferred and contingent consideration associated with the Custom Power acquisition, which is disclosed in note 11, there are no material differences between carrying value and fair value at 30 September 2022.

Additional disclosure of the basis of measurement and policies in respect of financial instruments are described on pages 103 to 108 of our 31 March 2022 Annual Report and remain unchanged at 30 September 2022.

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 2022 other than those disclosed below.

In accounting for the acquisition of Custom Power there are several very significant fair value adjustments which are significant accounting estimates. The most significant judgements and estimates relate to the following:

1) Discount rates adopted in determining the fair value of the consideration. A 1% increase in the discount rate would result in a $0.1m decrease in the fair value of the consideration.

2) Forecast cashflows and the WACC discount rate adopted in determining the fair value of the IFRS 3 acquisition intangibles. The cashflows adopted in valuing the intangibles were consistent with the Board's investment appraisal. A 1% increase in the discount rate would result in a £0.6m decrease in the fair value of the IFRS 3 acquisition intangibles.

3) The fair value estimates in uplifting the property plant and equipment to depreciated replacement cost. The Custom Power engineering team has completed a detailed identification exercise of the material property, plant and equipment. Where third party quotes can be obtained to ascertain depreciated replacement cost these have been obtained. However, many of the assets identified are bespoke or internally generated assets as such there is no readily available market price. Therefore, the engineering team have prepared internally generated reasonable estimates of the depreciated replacement cost.

The impact of these estimates results in the recognition of a fair value uplift to the net assets acquired of $9,471k (£7,827k) as set out in note 11. These adjustments on initial recognition are presentational within the balance sheet reducing the residual goodwill. The fair value adjustments will be amortised through the P&L (where applicable) in accordance with the Group's accounting policies which will reduce the reported profit and loss in subsequent periods as these assets are written down.

Recent accounting developments

The accounting policies adopted are consistent with those of the previous financial year and in preparing the interim financial statements, there were no standards, amendments or interpretations applied for the first time that had a material impact for the Group.

3. Principal risks and uncertainties

The principal risks and uncertainties impacting the Group are described on pages 12 to 16 of our 31 March 2022 Annual Report and remain unchanged at 30 September 2022.

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

NOTES TO THE INTERIM REPORT
for the six months ended 30 September 2022 (continued)

4. Segmental information

	Unaudited Six months to 30 Sept 22 £'000	Unaudited Six months to 30 Sept 21 £'000	Audited Year to 31 Mar 22 £'000
Revenue			
Systems	24,013	15,234	32,517
Components	35,344	24,147	52,480
	________	________	________
Group revenue	**59,357**	**39,381**	**84,997**
	________	________	________

5. Adjusted profit measures

	Unaudited Six months to 30 Sept 22 £'000	Unaudited Six months to 30 Sept 21 £'000	Audited Year to 31 Mar 22 £'000
Acquisition fair value adjustments within cost of sales	90	168	168
Acquisition fair value adjustments and reorganisation costs	178	-	533
Increase in deferred contingent consideration of Active Silicon	-	300	1,650
Amortisation of acquisition intangibles	661	514	1,028
Share based payments	114	179	295
Taxation effect	(222)	(221)	(327)
Deferred tax rate change impact on acquisition intangibles and share based payments	-	175	288
Recognition of deferred tax assets in other comprehensive income	-	-	(261)
	________	________	________
Total adjustments to other comprehensive income	**821**	**1,115**	**3,374**
	________	________	________
Reported gross profit	18,769	12,886	27,527
Adjusted gross profit	18,859	13,054	27,695
Reported operating profit	4,473	2,215	3,726
Adjusted operating profit	5,516	3,374	7,400
Reported operating profit margin percentage	7.5%	5.6%	4.4%
Adjusted operating profit margin percentage	9.3%	8.6%	8.7%
Reported profit before tax	4,182	2,109	3,500
Adjusted profit before tax	5,225	3,268	7,174
Reported profit after tax	3,339	1,730	2,523
Adjusted profit after tax	4,160	2,845	6,158
Reported other comprehensive income	3,339	1,730	2,784
Adjusted other comprehensive income	4,160	2,845	6,158

6. Earnings per share

The earnings per share is based on the following:

	Unaudited Six months to 30 Sept 22 £'000	Unaudited Six months to 30 Sept 21 £'000	Audited Year to 31 Mar 22 £'000
Adjusted earnings post tax	4,164	2,845	6,158
Reported earnings post tax	3,343	1,730	2,523
	______	______	______
Weighted average number of shares	8,998,193	8,550,531	8,551,455
Diluted weighted average number of shares	9,193,936	8,698,270	8,728,268
	______	______	______
Reported EPS			
Basic EPS from profit for the period	37.2p	20.2p	29.5p
Diluted EPS from profit for the period	36.4p	19.8p	28.9p
Adjusted EPS			
Adjusted basic EPS from profit for the period	46.3p	33.2p	72.0p
Adjusted diluted EPS from profit for the period	45.3p	32.7p	70.6p

7. Dividends

Dividends paid during the period from 1 April 2021 to 30 September 2022 were as follows:

24 September 2021	Final dividend year ended 31 March 2021	10.75p per share
18 February 2022	Interim dividend year ended 31 March 2022	6.25p per share

Post period end

5 October 2022	Final dividend year ended 31 March 2022	13.25p per share

The Directors are intending to pay an interim dividend for the year ending 31 March 2023 on 17 February 2023 of 6.5p per share. This dividend has not been accrued at 30 September 2022.

8. Share capital

	Unaudited Six months to 30 Sept 22	Unaudited Six months to 30 Sept 21	Audited Year to 31 Mar 22
Allotted issued and fully paid			
Number of ordinary 5p shares	11,322,394	8,564,878	8,564,878

	Unaudited Six months to 30 Sept 22 £'000	Unaudited Six months to 30 Sept 21 £'000	Audited Year to 31 Mar 22 £'000
Allotted issued and fully paid			
Ordinary 5p shares	566	428	428

The ordinary shares carry no right to fixed income, the holders are entitled to receive dividends as declared and are entitled to one vote per share at shareholder meetings.

On the 2 August 2022 the Company issued 2,757,516 shares with a placing price of £10.25 generating gross proceeds of £28,265k and net proceeds of £26,988k. The share placing received shareholder approval at the general meeting on the 29 July 2022.

These funds in conjunction with the new facilities provided by Lloyds bank, as set out in note 10, were utilised to the fund the acquisition of Custom Power on the 5 August 2022 as disclosed in note 11.

Full details of movements in reserves are set out in the consolidated statement of changes in equity on page 12.

The following describes the nature and purpose of each reserve within owners' equity.

Reserve	Description and Purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption	Amounts transferred from share capital on redemption of issued shares.
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.
Shares held in treasury	Shares held by the Group for future staff share plan awards
Foreign exchange	Foreign exchange translation differences arising from the translation of the financial statements of foreign operations
Non-controlling interest	Equity attributable to non-controlling shareholders.

9. Non-current assets

	Unaudited Six months to 30 Sept 22 £'000	Unaudited Six months to 30 Sept 21 £'000	Audited Year to 31 Mar 22 £'000
Goodwill	34,554	9,898	9,898
Acquisition intangibles	12,152	5,923	5,408
Research and development	125	50	200
Software	367	156	325
	_______	_______	_______
Intangible assets	47,198	16,027	15,831
Property plant and equipment	4,838	3,404	3,414
Right of use assets	2,652	2,206	1,983
Deferred tax asset	3,143	-	539
	_______	_______	_______
Total non-current assets	57,831	21,637	21,767
	_______	_______	_______

10. Net debt

	Unaudited Six months to 30 Sept 22 £'000	Unaudited Six months to 30 Sept 21 £'000	Audited Year to 31 Mar 22 £'000
Cash and cash equivalents – overdraft	(1,902)	-	(2,059)
Bank borrowing (including overdraft) due within one year	(220)	-	-
Bank borrowing due after one year	(15,628)	(2,000)	(1,500)
	_______	_______	_______
Total borrowings	(17,750)	(2,000)	(3,559)
Deferred consideration on acquisitions within one year	(14,414)	(4,200)	(4,625)
Deferred consideration on acquisitions after one year	-	(1,050)	(1,976)
Cash and cash equivalents – on deposit	8,929	-	-
Cash and cash equivalents – on demand	7,117	5,323	4,983
	_______	_______	_______
(Net debt) / net cash	(16,118)	(1,927)	(5,177)
	_______	_______	_______

During the period the Group has taken on two £6.5m term loans totalling £13.0m. The first tranche is interest only and committed for three years from the 5 August 2022 and the second tranche is repayable over five years with quarterly repayments. Both tranches bear variable interest based on a margin over base rate.

In addition to the new term loans, Lloyds have provided two standby letters of credit to the vendors as security over the deferred consideration on the acquisition of Custom Power (See note 11). Lloyds has taken a fixed charge over the $10m of cash on deposit which will be used to settle the deferred consideration. Both the cash on deposit and the deferred consideration are included within the definition of net debt above.

The Group has retained its £7.5m revolving credit facility which is committed to November 2023 and bears variable interest based on a margin over base rate.

11. Acquisition accounting for Custom Power LLC

Custom Power LLC

	Book value $'000	Fair value Adjustment $'000	Fair value to Group $'000	Fair value to Group * £'000
Intangible assets	-	8,298	8,298	6,858
Property plant and equipment	362	895	1,257	1,039
Right of use assets	-	1,069	1,069	883
Deferred tax asset	-	3,056	3,056	2,526
Inventory	4,105	61	4,166	3,443
Trade and other receivables	4,368	(250)	4,118	3,403
Trade and other payables	(2,305)	(158)	(2,463)	(2,036)
Right of use lease liabilities	-	(1,069)	(1,069)	(883)
Provision for dilapidations	-	(25)	(25)	(21)
Cash and cash equivalents	319	-	319	264
Deferred tax liability	-	(2,406)	(2,406)	(1,988)
	________	________	________	________
Net assets on acquisition	**6,849**	**9,471**	**16,320**	**13,488**
Goodwill on acquisition	-	-	27,612	22,822
	________	________	________	________
Discounted consideration			**43,932**	**36,310**
			________	________
Discharged by:				
Cash paid on acquisition			30,000	24,795
Short term deferred consideration			10,000	8,266
Short term deferred contingent consideration – Earn out			5,000	4,132
			________	________
Gross consideration			**45,000**	**37,193**
Discounting			(1,068)	(883)
			________	________
Discounted consideration			**43,932**	**36,310**

* *Exchange rate at date of acquisition was 1.21*

Solid State Plc incorporated Custom Power Holdings Inc. as a new 100% owned US subsidiary to subsequently acquire Custom Power, LLC on 5 August 2022. Custom Power LLC is a company based in Orange County, California that designs and manufactures custom battery pack solutions. The entire membership interest of the LLC was purchased for a maximum consideration of $45m, including $10m of deferred consideration (payable in two equal tranches in February 2023 and August 2023) and a $5m earn-out payable on achievement of a revenue performance target.

The fair value of intangible assets recognised is in relation to the brand "Custom Power", the open orderbook and the customer relationships. The goodwill recognised represents expected synergies from combining the operations of Custom Power LLC with those of the existing Systems Division, expected value from incremental sales arising across the combined operation that is not separately recognisable at the date of acquisition and the value of the work force not recognised as an intangible asset under IFRS 3 revised.

The Group acquired the membership interests of Custom Power LLC, which is a disregarded entity for US tax, so we expect to benefit from a tax deduction in the U.S in relation to the goodwill arising. This results in the initial recognition of a deferred tax asset of $3,056k (£2,526k). The related timing differences giving rise to the deferred tax recognised will unwind over a 10 year period.

11. Acquisition accounting for Custom Power LLC – cont'

The revenue and profit after tax for the post acquisition period included in the Statement of Comprehensive Income arising from Custom Power's operations were $4,005k (£3,452k) and $255k (£220k) respectively. The Group incurred acquisition related costs of £743k (of which £565k was expensed in prior periods and £178k expensed in the current period) on legal fees and due diligence costs, included in sales, general and administration expenses.

The Group has set aside $10.0m of cash on deposit (disclosed as a separate element of cash and cash equivalents on the face of the consolidated balance sheet) fully funding the short term deferred consideration of $10 million.

The final $5.0m deferred contingent consideration only becomes payable if Custom Power achieves last twelve-month revenue in excess of $37.5m within an 18-month period post acquisition. The deferred and contingent consideration amounts have been discounted at an appropriate cost of debt and WACC respectively. The impact is to reduce the fair value of the consideration by £883k. The discounting will be charged as a non-cash interest charge over the period of the deferment.

The acquisition accounting is on a provisional basis for this interim report, in particular the determination of the deferred taxation values and the fair of the consideration (and therefore the goodwill quantum).

12. Formation of eTech Developments Limited

On the 8 June 2022 the Group formed a new entity, eTech Developments Limited, registered Co. number 14159260. eTech Developments Limited is 75% owned by Solid State PLC and 25% owned by eTech49 Limited. This is a new business which is providing engineering consultancy by employing a small engineering team. During the period the core team has been recruited, and the team are providing Power engineering services to the Group and external customers on an arm's length basis.

13. Related party transactions

Consistent with the year ended 31 March 2022 the ongoing 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 the remuneration report in the annual report to the 31 March 2022 and will be updated in the full year report to the year ending 31 March 2023.

eTech Developments Limited was incorporated in the period and the Group has traded with the non-controlling interest (eTech 49 Limited) to receive their initial £50,000 cash contribution for the 25% share purchase and allocated the proportion of the initial trading expense. There are no other material related party transactions.

14. Post balance sheet events

Post period end, 56,400 share option awards were awarded under the LTIP plan with 14,100 share options to each of the executive directors. Furthermore, 45,325 shares have been awarded to the key management employees under the CSOP plan.

During November, the Group announced the successful award of two separate defence contracts to the Systems Division from the NATO Support and Procurement Agency ("NSPA") to supply communications equipment for £7.3m (delivery expected to complete in this financial year) and £9.8m (delivery expected in the 23/24 financial year) respectively.

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

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