



18 June 2013

Solid State plc
(“Solid State”, the “Company” or the “Group”)
Preliminary Results for the year ended 31 March 2013

Solid State plc (AIM: SSP), the AIM listed supplier of specialist industrial/ruggedised computers, electronic components, antennas, microwave systems and battery power solutions to the electronics market, is pleased to announce its Preliminary Results for the year ended 31 March 2013.

Highlights in the period include:

Financial:

	2013	2012	Change
Turnover	£31.50m	£25.87m	+22%
Profit before tax*	£1.87m	£1.60m	+17%
Earnings per share (basic)	21.8p	19.5p	+12%
Gross profit margin	26.1%	27.8%	-170bps
Operating margin*	6.2%	6.4%	-20bps
Dividend	8.0p	7.25p	+10%

*Before exceptional items of £100k (£81k H1, £19k H2)

Operational:

- £3.5m in-vehicle rugged electronics contract for export
- Successful relocation of Solid State Supplies to new Redditch HQ increasing scalability and scope for future efficiency savings
- Acquisition of Q-Par Angus Ltd for £900k (post year end)

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

“These results highlight the positive momentum at Solid State, delivering our third consecutive year of record results. In recognition of this performance and future prospects the Board is recommending a 10% increase in the annual dividend.

“The recent acquisition of Q-Par is further evidence of our commitment to making complementary acquisitions to strengthen our position in global niche markets and to continue our growth strategy.”

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Notes to Editors:

Solid State plc (SSP) owns a group of companies providing specialist design-in and value added manufacturing services to those acquiring industrial/rugged computing products, battery power solutions, antennas, microwave systems and electronic components for use in harsh environments.

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

Headquartered in Redditch, Solid State employs over 140 staff across four sites. Solid State operates through two main divisions: Steatite and Solid State Supplies.

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

CHAIRMAN'S STATEMENT

Financial Review

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

Revenues grew by 22% to £31.50m (2012: £25.87m) with profits before tax rising by 17% to £1.87m (2012: £1.60m) before charging exceptional costs totalling £100k in the year; comprising relocation costs of £85k and abortive acquisition costs of £15k.

The £3.5m export contract delivered in the first half of the year illustrates the margin variation we experience due to order size and product mix which resulted in our first half gross margins declining to 24.4%. However, as indicated in our interim statement, our gross profit margin improved in the second half to 27.9% in line with recent years (2011 & 2012: 27.8%).

Operating margins after exceptional costs were stable at 6.2%, again in line with recent years (2011: 6.1% & 2012: 6.4%), with earnings per share increasing by 12% to 21.8p (2012: 19.5p).

Total net assets strengthened by 23% to £6.3m (2012: £5.1m) with the Group's net gearing levels being 37% (2012: 53%).

Dividends

The resilient performance of the Group has enabled us to continue our stated policy of offering a progressive dividend to shareholders whilst retaining a prudent level of dividend cover. The Board is recommending a final dividend of 5.25p. An interim dividend of 2.75p per share was paid on 28 January 2013 giving a total dividend in respect of the year of 8p per share, a 10% increase on the 2012 dividend of 7.25p. The final dividend will be paid on 2 September 2013 to shareholders on the register at the close of business on 9 August 2013. The shares will go ex-dividend on 7 August 2013.

Business Review

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

The market for the Group's products and services is driven by the need for custom electronic solutions to address complex needs, typically in harsh environments where enhanced durability and

resistance to extreme and volatile temperatures is vital. Drivers in our markets include efficiency improvement, cost saving, environmental monitoring and safety.

Divisional Review

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

Steatite

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

Steatite has performed well during the year delivering 20% growth in sales and a 25.5% increase in pre-tax profits, matching the significant progress made over the past few years.

The Steatite division has benefitted from taking market share from competitors who are unable to match the breadth and technical depth of our business offering, whilst continuing to attract both new supply partners from around the world and continuing to invest in the development of new products.

The strategy we have followed, as a niche specialist business, is continuing to bear fruit. The successful acquisition of Q-Par, post the year end, extends our product offering and client base in a high margin environment. We will proactively continue to look for acquisitions that offer both synergy and market opportunities enhancing our product range and engineering capacity.

The business is well resourced to take benefit from the growing pipeline of new opportunities in markets such as Oil & Gas, Transport and Security and it is well positioned for further growth as economic conditions improve. It is worth noting that the Division will not have the benefit of the one off £3.5million export order in financial year 2013/14. This order was delivered at lower than average margin due to its scale however made a meaningful contribution to the results for the Division.

Given the continuing difficult economic conditions and the uncertainty of the pace of any recovery, we remain cautious for the year ahead, but well positioned to accelerate growth as and when conditions improve.

Solid State Supplies

Solid State Supplies is a distributor of specialist components to the UK OEM community; selling semiconductors, related components and modules for embedded processing, control and communications switches, power management units and LED lighting.

Despite the broader market decline in the electronics component sector during financial year 2012/13, which saw a reduction of c.-13% as reported by our industry association AFDEC, Solid State Supplies continued to outperform the sector as a whole and achieved growth in excess of 10%. The improved performance has been derived through a combination of organic growth and the impact of franchises signed in the previous year. I am pleased to be able to report that this now concludes three successive years in which the company has achieved significant growth.

2012/13 was a very significant period for Solid State Supplies in which it relocated its business from Paddock Wood in Kent to Redditch in the West Midlands. Significantly, the company only lost three members of staff during the transition process and was able to maintain its shipments without impact to the customer base. The company now operates from approximately 18,000 square feet of modern warehouse and office facilities and this has enabled the company to execute on its plan to enter the value added services market. Value added services are now contributing to the gross margin development of the company and have increased the perceived value of the company to its customers. The company expects to see this element of its business increase throughout the next financial year.

Franchises added in the previous financial year and during the early part of this financial year are now contributing well to turnover growth and are expected to have a significant impact in the forthcoming year with several high value projects already pipelined.

In all, 2012/13 was a strong year for the distribution business despite the one off costs associated with the relocation. The outlook for 2013/14 remains positive and the company expects to continue to outperform the market.

Divisional Summary

The companies in the Solid State group have distinct characteristics in their market places. A depth of technical understanding and a collaborative approach to client relationships have always promoted an integrated process of product design and supply. The degree of co-operation has always been appreciated by our clients and we believe it is of significant commercial value both to us and our customers. Solid State will continue to pursue this approach and to extend it into new relationships where appropriate.

Our stated strategy is to supplement organic growth with selective acquisitions within the electronics industry which will complement our existing Group companies and enable us to achieve improved operating margins through the employment of operational efficiencies, scale and distribution.

Acquisition of Q-Par Angus Limited

The acquisition of Q-Par Angus Ltd for a consideration of £900,000 in May 2013 is our 6th acquisition in the last 11 years. Q-Par's expertise is in a range of antennas and microwave systems that will broaden the products and services available to our customers. Its solutions are in a technically complex area that command higher gross margins than we currently average across the Group. We also believe the wide network of international sales agents used by Q-Par will benefit our overall business in the coming years.

Outlook

The current year has started as anticipated and our order book remains strong, with a backlog of £10.4m as at 30 April 2013 (31 March 2012: £10.5m). We will continue to drive organic growth and seek further acquisitions that complement our existing operations and benefit shareholders.

Finally, I would like to thank my fellow Directors and all our staff for their continued support in delivering another strong Group performance this year.

Gordon Comben

Chairman

18 June 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2013

		2013	2012
	Notes	£	£
Revenue	5	31,494,977	25,874,151
Cost of sales		(23,260,519)	(18,676,947)
		_____	_____
GROSS PROFIT		8,234,458	7,197,204
Distribution costs		(2,517,975)	(2,318,809)
Administrative expenses		(3,872,384)	(3,371,930)
Gain on acquisition		-	160,287
		_____	_____
PROFIT FROM OPERATIONS		1,844,099	1,666,752
Finance costs		(73,666)	(67,608)
		_____	_____
PROFIT BEFORE TAXATION		1,770,433	1,599,144
Tax expense	6	(283,355)	(282,159)
		_____	_____
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		1,487,078	1,316,985
		_____	_____
OTHER COMPREHENSIVE INCOME		-	-
Translation differences on overseas operations		_____	_____
		_____	_____
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,487,078	1,316,985
		_____	_____

EARNINGS PER SHARE			
Basic	3	21.8p	19.5p
Diluted	3	21.1p	19.2p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2013

	Share Capital	Share Premium Reserve	Capital Redemption Reserve	Foreign Exchange Reserve	Retained Earnings	Total
Balance at 31st March 2011	307,826	756,980	4,674	59,834	2,809,288	3,938,602
Total comprehensive income						
For the year ended 31 st March 2012	-	-	-	-	1,316,985	1,316,985
Issue of new shares	31,746	168,254	-	-	-	200,000
Share based payment expense	-	-	-	-	92,023	92,023
Dividends	-	-	-	-	(441,443)	(441,443)
Reallocation on winding up of a subsidiary	-	-	-	(59,834)	59,834	-
Balance at 31st March 2012	339,572	925,234	4,674	-	3,836,687	5,106,167
Total comprehensive income						
For the year ended 31 st March 2013	-	-	-	-	1,487,078	1,487,078
Issue of new shares	9,030	148,170	-	-	-	157,200
Share based payment expense	-	-	-	-	44,445	44,445
Dividends	-	-	-	-	(513,857)	(513,857)
Balance at 31st March 2013	348,602	1,073,404	4,674	-	4,854,353	6,281,033

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31st March 2013

		2013	2012	
	£	£	£	£
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		914,949		851,170
Intangible assets		2,396,702		2,425,579
TOTAL NON-CURRENT ASSETS		3,311,651		3,276,749
CURRENT ASSETS				
Inventories	3,056,735		3,062,005	
Trade and other receivables	7,172,750		6,872,680	
Cash and cash equivalents	1,097,972		41,868	
TOTAL CURRENT ASSETS		11,327,457		9,976,553
TOTAL ASSETS		14,639,108		13,253,302
LIABILITIES				
CURRENT LIABILITIES				
Bank overdraft	2,496,945		1,367,995	
Trade and other payables	4,714,450		5,365,567	
Bank borrowings	905,522		1,064,417	
Corporation tax liabilities	189,730		261,353	
TOTAL CURRENT LIABILITIES		8,306,647		8,059,332
NON CURRENT LIABILITIES				
Borrowings	-		-	
Deferred tax liability	51,428		87,803	
TOTAL NON-CURRENT LIABILITIES		51,428		87,803
TOTAL LIABILITIES		8,358,075		8,147,135
TOTAL NET ASSETS		6,281,033		5,106,167
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Share capital		348,602		339,572
Share premium reserve		1,073,404		925,234
Capital redemption reserve		4,674		4,674
Retained earnings		4,854,353		3,836,687
TOTAL EQUITY		6,281,033		5,106,167

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March 2013

	2013		2012	
	£	£	£	£
OPERATING ACTIVITIES				
Profit before taxation		1,770,433		1,599,144
Adjustments for:				
Depreciation		232,045		196,778
Amortisation		43,773		34,153
Loss on disposal of property, plant and equipment		3,978		8,095
Share based payment expense		44,445		92,023
Finance costs		73,666		67,608
Gain on acquisition		-		(160,287)
Profit from operations before changes in working capital and provisions		2,168,340		1,837,514
Decrease/(increase) in inventories	5,270		(96,333)	
(Increase) in trade and other receivables	(300,070)		(2,657,987)	
(Decrease)/increase in trade and other payables	(651,117)		1,147,734	
		(945,917)		(1,606,586)
Cash generated from operations		1,222,423		230,928
Income taxes paid	(391,353)		(258,826)	
		(391,353)		(258,826)
Cash flow from operating activities		831,070		(27,898)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(313,885)		(288,787)	
Purchase of computer software	(14,896)		(8,114)	
Proceeds of sales from property, plant and equipment	14,083		36,500	
Consideration paid on acquisition of business	-		(200,000)	
		(314,698)		(460,401)
		516,372		(488,299)
FINANCING ACTIVITIES				
Issue of ordinary shares	157,200		200,000	
Invoice discounting finance (net movement)	(158,895)		(120,548)	
Interest paid	(73,666)		(67,608)	
Dividend paid to equity shareholders	(513,857)		(441,443)	
		(589,218)		(429,599)

(DECREASE) IN CASH AND CASH EQUIVALENTS		(72,846)		(917,898)

Cash and cash equivalents comprise:

	2013	2012
	£	£
Net (decrease) in cash and cash equivalents	(72,846)	(917,898)
Cash and cash equivalents at beginning of year	(1,326,127)	(408,229)
Exchange gains on cash and cash equivalents	-	-
	_____	_____
Cash and cash equivalents at end of year	(1,398,973)	(1,326,127)
	_____	_____

There were no significant non-cash transactions.

	2013	2012
	£	£
Cash available on demand	1,097,972	41,868
Overdrafts	(2,496,945)	(1,367,995)
	_____	_____
	(1,398,973)	(1,326,127)
	_____	_____

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2013

1) The financial information in the preliminary announcement does not constitute the Company's statutory accounts for the years ended 31 March 2013 or 31 March 2012. The financial information for the year ended 31 March 2012 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain statements under the Companies Act 2006, s 498 (2) or (3). The financial information for the year ended 31 March 2013 is unaudited. Statutory accounts for that will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the registrar of Companies following the Company's annual general meeting.

2) ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS

The financial information in this preliminary announcement has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The principal accounting policies used in preparing the preliminary announcement are those the Group will apply in its financial statement for the year ended 31 March 2013 and are unchanged from those disclosed in the Group's Report and Financial Statements for the year ended 31 March 2012.

3) EARNINGS PER SHARE

The earnings per share is based on the following:

	2013	2012
	£	£
Earnings	1,487,078	1,316,985
Weighted average number of shares	6,835,502	6,770,613
Diluted number of shares	7,166,123	6,870,252
Earnings per share	21.8p	19.5p
Diluted earnings per share	21.1p	19.2p

Earnings per ordinary share has been calculated using the weighted average number of shares in issue during the year. The weighted average number of equity shares in issue was 6,835,502 (2012: 6,770,613).

The diluted earnings per share is based on 7,166,123 (2012: 6,870,252) ordinary shares which allow for the exercise of all dilutive potential ordinary shares.

4) DIVIDENDS

	2013	2012
	£	£
Final dividend paid for the prior year of 4.75p per share (2012: 4p)	325,443	271,657
Interim dividend paid of 2.75p per share (2012: 2.5p)	188,414	169,786
	513,857	441,443

Final dividend proposed for the year 5.25p per share (2012: 4.75p)	366,032	322,593

The proposed final dividend has not been accrued for as the dividend was declared after the statement of financial position date.

5) SEGMENT INFORMATION

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

Year ended 31st March 2013

	Distribution division	Manufacturing division	Head office	Total
	£	£	£	£
Revenue				
External	7,146,005	24,348,972	-	31,494,977
Intercompany	-	6,734	-	6,734
	7,146,005	24,355,706	-	31,501,711
Profit/(loss) before tax	105,385	2,456,104	(791,056)	1,770,433
Balance sheet				
Assets	4,105,551	11,612,602	(1,079,045)	14,639,108
Liabilities	(4,399,954)	(6,014,504)	2,056,383	(8,358,075)
Net (liabilities)/assets	(294,403)	5,598,098	977,338	6,281,033
Other				
Capital expenditure				
- Tangible fixed assets	206,348	107,537	-	313,885
- Intangible fixed assets	11,341	3,555	-	14,896
Depreciation, amortisation and other non cash expenses	102,549	143,183	78,509	324,241
Interest paid	25,638	31,257	16,771	73,666

	31,494,977	25,874,151	14,639,108	13,253,302	313,885	478,787

All the above relate to continuing operations.

6) TAX EXPENSE

	2013	2012
	£	£
Current tax expense		
UK corporation tax on profits or losses for the year	319,730	261,353
Adjustment in respect of prior periods	-	-
	319,730	261,353
Deferred tax (credit)/charge	(36,375)	20,806
Total tax charge	283,355	282,159

The deferred tax credit has been increased by £1,124 (2012: £4,883) as a result of the reduction in the applicable rate of corporation tax from 24% to 23%.

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

	2013	2012
	£	£
Profit before tax	1,770,433	1,599,144
Expected tax charge based on the standard rate of corporation tax in the UK of 24% (2012 – 26%)	424,904	415,777
Effect of:		
Expenses not deductible for tax purposes	15,702	28,508
Deductible expenses not charged in Group accounts	(4,900)	(5,308)
Difference between depreciation for the year and capital allowances	4,793	(26)
Tax relief on exercise of share options at less than market value	(54,677)	(104,825)
Timing difference on recognition of gain on acquisition for tax purposes	(3,651)	(1,600)
Marginal relief	(4,000)	(4,500)
Enhanced relief on research and development expenditure	(94,816)	(45,867)
Total tax charge	283,355	282,159

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