SOLID STATE PLC

21 November 2017

Solid State plc
("Solid State", the "Group" or the "Company")
Interim Results for six months ended 30 September 2017

Solid State plc (AIM: SOLI), the AIM listed supplier of specialist industrial/ruggedised computers, electronic components, advanced antenna products, communications systems and battery power solutions to the electronics market, is pleased to announce its interim results for the six months ended 30 September 2017.

Highlights in the period include:

Financial: underlying continuing operations shown to reflect the exclusion of the discontinued activities of MoJ and SEMS business unit

	2017	2016	Change	
Revenue	**£22.5m**	£20.1m	**£2.4m**	**+12%**
Adjusted profit before tax	**£1.6m**	£2.0m	**(£0.4m)**	**(20%)**
Adjusted diluted earnings per share (note 6)	**16.1p**	20.1p	**(4.0p)**	**(20%)**
Adjusted gross profit margin	**28.4%**	31.2%	**(2.8%)**	**(280bps)**
Dividend	**4.0p**	4.0p	**-**	**-**
Dividend cover	**3.3x**	4.8x	**(1.5x)**	**(31%)**

Operational:

- Organic growth in distribution division of nearly 20%.
- Reported manufacturing revenues are 7% up on the prior year despite over £2.5m of rail printer revenue in the comparative period which did not occur in this period.
- Completion of the re-organisation of the manufacturing division - consolidation of the power business unit in Crewkerne, Somerset, and re-location of the communications business unit to the new Leominster facility, Herefordshire - that will deliver tangible operational improvements in H2.
- Installation of the environmental testing capabilities into Leominster facility.
- Investment in the commercial and engineering teams in the communications business unit and production resources in the power business unit.
- Increase in field sales force headcount by 7 (circa 50%).
- Further development in own brand products.
- Group open order book as at 31/10/17 £20.1m (31/10/16: £14.6m).
- Acquisition focus is on larger businesses in the turnover range of £10m – £20m.

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

"I am pleased to report on a period which demonstrates further progress in our strategy for delivering sustainable growth.

"The success of the growth strategy in action is amply demonstrated by the 9% organic growth in the computer business unit and near 20% growth in the distribution division in the period. The Board expects the strategy to deliver across other business units in a similar fashion.

"The open order book at 31 October 2017 was £20.1m which is 38% up on the prior year of £14.6m. Order intake in October was at a record level, with the largest individual order representing 10% of the month's total and demonstrating a good spread of customers. The Directors are pleased with the new business pipeline and level of new contract awards across the Group.

"This gives the Board confidence that despite the reduction in the margin as a result of the mix of product sales, the markets that the Company services are resilient and that the Group can deliver a strong second half performance and continue to deliver growth for the Company and its shareholders.

"On behalf of the Board, I would like to acknowledge the significant contribution of our staff to Solid State's continued progress."

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

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Notes to Editors:

Solid State plc (SOLI) is a leading value added group of companies providing specialist design-in and manufacturing services to those acquiring industrial/rugged computing products, battery power solutions, communications systems, advanced antenna products 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 200 staff across five sites. Solid State operates through two main divisions: Solid State Supplies and Steatite.

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

Our Vision
We are well placed to exploit the significant opportunities that exist in all of our target markets; we aspire to double the size of the business over the next five years. We will deliver this through a combination of organic growth and strategic acquisitions.

Our Mission
"*To remain at the forefront of electronics technology, delivering reliable, high quality products and services. Adding value at every opportunity, from enquiry to order fulfilment; consistently meeting customer and partner expectations.*"

Our Strategy
Our strategy has three key elements:

1) Investment in our people, our technical knowledge and our capabilities, to ensure we remain at the forefront of electronics technology and be the 'go to' technical solutions provider of choice, enabling us to develop and maintain long term client relationships as a trusted adviser with the sector 'know how'.
2) Continue to develop our strategic partnerships with customers and suppliers within the electronics industry, building our portfolio of value added services.
3) Targeting strategic acquisitions which are aligned with our core capabilities which provide access to new markets or deepen our knowledge, ability and enhance the value we can add to our customers.

CHAIRMAN'S STATEMENT
Unaudited Interim Results of the six months ended 30 September 2017

I am pleased to report on a period which demonstrates further progress in our strategy for delivering sustainable growth.

Group revenue for the period has increased by 12% to £22.5m (2016: £20.1m), reflecting strong organic growth in the distribution division of close to 20% and a 7% increase in the manufacturing division reported revenues. However, as we have experienced in previous years, changes in product mix affect overall Group gross margin. In this period, as previously announced in the Group's October trading update, the combination of the increased proportion of distribution sales and a change in mix of sales within the manufacturing business resulted in a 2.8% reduction in the Group gross margin to 28.4% (2016: 31.2%). Nevertheless, the Board remains confident about the prospects across the Group and expects a strong performance in the second half. This expectation is supported by the strong open order book and the resilience of the Group which is a result of its broad base of products and clients in a range of market sectors.

Our review of business below sets out the progress we have made within our divisions in implementing our strategy.

Financial Review

Group revenue for the period increased to £22.5m (H1 2016: £20.1m). The distribution division delivered close to 20% organic growth with a revenue increase of £1.6m, whilst manufacturing revenues increased by £0.8m, primarily driven by the full year impact of the Creasefield acquisition revenues. Within the manufacturing division over £2.5m of rail printer revenue in the comparative period, which did not occur in this period, has been replaced by new power and computing revenues.

At an individual business unit level, product line margins within both divisions have been maintained. However, as we have experienced in previous years, changes in product mix affect overall Group gross margin as we have seen in this reporting period. The combination of the increased proportion of distribution sales and change in mix of sales within the manufacturing business, excluding the benefit of the rail printers supplied in the first half of 2016, in addition to slight foreign exchange headwinds, has resulted in a reduction in the Group gross margin to 28.4% (H1 2016: 31.2%).

The investment in and restructuring of the communications business unit and Leominster operations, as outlined in the Final Results announcement, is now complete and has positioned the business for future growth. Despite an improvement in revenues relative to the comparative period, the lead time to win and deliver some of the complex antenna programmes has taken longer than expected, as previously announced, resulting in a performance below management's expectations. The prospect pipeline remains encouraging, positioning the communications business unit for a stronger 2018/19. Post the period end, an important order for mesh radios was secured from a Government customer, establishing Steatite's position as a key provider of mesh communications systems.

The planned investment in sales and marketing to drive long term organic growth and margin enhancement across the Group and the full year impact of the Creasefield acquisition resulted in continuing adjusted overheads increasing to £4.8m (H1 2016: £4.2m). This reflects additional overhead investment in the first half of £0.6m (primarily field sales resource where we have increased the headcount by 3 in manufacturing and 4 in distribution; an overall increase of circa 50%) and £0.2m in relation to the full period impact of the Creasefield overhead. The benefits of these sales initiatives are starting to be realised as evidenced by the organic growth rates achieved in the distribution division and the growth in manufacturing sales, even after having to replace the significant reduction in rail printer revenues which did not feature in the reported period.

Good progress is being made in implementing the Group's margin enhancement strategy through additional added value services and operational efficiencies; this is particularly aimed at addressing certain low margin battery business inherited from the Creasefield acquisition. The benefits of this activity should start to be seen in the last quarter of this financial year and into the next financial year.

Adjusted profit before tax for the first half of £1.6m (H1 2016: £2.0m) is reported before a share based payments charge of £0.1m (H1 2016: nil), amortisation of acquisition intangibles £0.1m (H1 2016: £0.1m) and acquisition and re-organisation costs £0.1m (H1 2016: nil).

Adjusted profit after tax was £1.4m (2016: £1.7m) and reported profit after tax was £1.1m (2016: £1.6m).

Adjusted diluted earnings per share from continuing operations was 16.1p (2016: 20.1p).

In the comparative period there was a £0.3m loss from discontinued operations in respect of the closure of the Steatite Electronic Monitoring Systems (SEMS) business unit which was closed in the prior year.

Total comprehensive income for the period was £1.1m (2016: £1.4m).

Group order intake in the period increased by 31% to £23.9m (2016: £18.2m) and as at 31 October 2017 the open order book amounted to £20.1m (31 October 2016: £14.6m), the majority of which is expected to be delivered in the next 12 months.

Cash flow from operations

Cash flows from operating activities of £1.2m outflow is down from £6.1m inflow in 2016 primarily due to a cash outflow of £3.0m (H1 2016: inflow £4.1m) from working capital, with underlying cash profit from operations before working capital being broadly stable at circa £1.8m (H1 2016: £2.0m).

The working capital outflow is primarily driven by inventory which has risen in the period (in common with this point in prior years), however the increase in the first half of the current year is more significant as a result of a number of significant strategic investments which include risk mitigation for potential component shortages:

- Within our distribution division we have taken circa £0.4m of a new product line into inventory (with full return rights to the component manufacturer) to support a multiyear space customer in an obsolescence management programme. In addition, we have invested circa £0.5m in inventory for a customer specific product to secure supply and pricing for committed orders.
- Within our manufacturing division we have invested circa £0.9m in to WIP in relation to on-going projects which are currently scheduled to ship in the second half.

In addition to the above, we have made strategic investments to secure supply and pricing as lead times are increasing in a number of areas such as battery cells, memory and component assemblies (modules) in the distribution division.

Dividends

The Directors are declaring an interim dividend of 4.0p per share (H1 2016: 4.0p) which is covered 3.3 times by earnings (H1 2016: 4.8).

The interim dividend will be paid on 16 February 2018 to shareholders on the register at the close of business on 25 January 2018. The shares will go ex-dividend on 26 January 2018.

Business Overview

The Group is focussed on the supply and support of specialist electronics equipment which include high tolerance battery packs and energy storage solutions, specialist electronic components, advanced antennas, secure communications systems 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 resilience to extreme and volatile temperatures, humidity or pressures is vital. Drivers in our markets include efficiency improvement, cost saving, environmental monitoring and, above all, safety.

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.

The Board remains active in pursuing acquisition opportunities; however we have refined our focus where we are now concentrating on finding larger acquisition targets which will be earnings enhancing and deliver additional shareholder value. The Board has, and will continue to, apply its rigorous due diligence processes in implementing its acquisition strategy; in the period we pulled out of certain negotiations due to strategic fit, market risk and vendor price expectations.

Divisional Review

Manufacturing Division

Trading under the Steatite brand, our manufacturing division is a leading UK supplier of specialist electronic equipment. Key to its strategy is the ability to design, manufacture and test to customer requirements, and against the most stringent of standards and qualifications, products for use in some of the most difficult and harsh environments.

Our Group and manufacturing division's strength and resilience over an extended period has come in large part from its market diversity. In the current period sales have been split approximately 25% from oil and gas markets, 25% from defence and security, 25% from a broad industrial customer base and the balance from other sectors including transport, aerospace, and utilities. As well as market sector diversity, we benefit from a wide mix of products and services which further enhances the Group's resilience.

The business addresses these markets with discrete business units in the following sectors; Computing, Power and Communications.

In our computing business unit we offer simple motherboard and memory products for commercial applications at one end of the scale to complex military-certified and classified integrated bespoke computer solutions at the other end.

The power proposition ranges from the sale of a simple battery cell through complex industrial battery packs to integrated energy storage solutions for use in defence applications.

Communications encompass the resale of third party radio products and advanced antenna solutions for the likes of the Met Office that are conceived, designed, manufactured and tested in an in house dedicated facility.

As such we experience and manage varying product margins to reflect the technical complexity, the level of value added service and build times applied.

What frequently ties the business solutions together across all markets and product offerings is the need to address "size weight and power (SWaP)", likewise the need for a safety first approach and domain experience combined with the agility of a British supplier. These are key decision factors for Steatite customers.

The manufacturing division has delivered a 7% increase in reported revenues at £12.9m (H1 2016: £12.1m) reflecting that the substantially reduced rail printer revenues (which in the prior year were in excess of £2.5m) have been replaced with additional revenues within the power and computing business units.

Margins within the manufacturing division have been maintained at individual business unit product level, however, compared to the prior year there has been a shift in customer and product mix which has resulted in a reduction in the overall gross margin.

We have continued to implement the planned investments in personnel to deliver the growth and margin initiatives to drive improved performance in future years.

Power

The power business is responding to strong levels of enquiries in varied applications. We are seeing firm and demonstrable evidence that the oil and gas sector is showing sustained recovery, beyond just a restocking "spike" evidenced by a new battery pack project for use in a brand new well development in Africa. The harsh environment robotics project referenced in the FY16/17 full year results continues to progress well through the engineering phases, with the aim to complete the product development in first half of 2018 and then move to review production opportunities.

In evaluating the attractions of, and following the acquisition of the Creasefield business, we identified a number of areas for improvement in both value added and operational efficiency; in implementing these initiatives we have invested in additional production resources to facilitate the growth in the power business unit. We have made good progress in both these areas however expect the benefits to be more fully reflected in the 2018/2019 financial year and beyond.

Computing

The computing business unit had a strong performance in the first half with bookings and billings being ahead of plan and product margins being maintained. This trend, which reflects a 9% improvement in billings on 2016, is the result of the investment in sales initiatives and demonstrates the growth strategy in action.

Traditional customers remain loyal to the business, valuing technical knowhow, speed of delivery and naturally a quality solution above a "low bidder" alone choice.

We are actively targeting a number of new opportunities and programmes in the rail sector which we hope will be an exciting new market for our computing business unit.

Communications

The investment and restructuring of the communications business unit and Leominster operations has positioned the business for future growth, however, as previously reported the performance has fallen short of management expectations as the lead time to win and deliver some of the complex antenna programmes has been longer than expected.

None of the significant opportunities have been lost therefore management believes the business unit is well positioned for a stronger 2018/19. Post the period end saw the award of a second contract from a Government customer for advanced Radio products. We are now achieving a tipping point that will see increased opportunity as the end customer standardises on the Steatite supplied solution. The business is now looking to add additional value to our advanced Radio product offering through the design and provision of an in-house antenna solution.

The business is well known in the industry for the one-off solutions and technically complex sophisticated systems. These are world class offerings commanding strong margins. We are now looking to augment these complex short run solutions with less complex offerings that complement our radio solutions to achieve a more balanced profile delivering increased level of revenue and improved margins.

Distribution Division

The distribution division distributes specialist components to the UK OEM community; selling semiconductors, related components and modules for embedded processing, IoT, control and communications switches, power management units and LED lighting.

The first half of FY 2017 has seen the investments made to increase organic growth come to fruition. The distribution division has delivered close to a 20% increase in reported revenues at £9.5m (H1 2016: £7.9m) reflecting strong organic growth across its product range. Order intake in the first half of 2017 is up by 39% over the same period in the previous year whilst billings have increased by close to 20% over the same period.

The annualised ratio of order intake to sales out (book:bill) is now at 1.2:1.0 against an industry figure of 1.04:1.0 (Source ECSN Sept 2017) and the total open order book is at record levels. This presents a sound base for the second half.

The market remains margin sensitive, however the Group reviews this on a regular basis and takes steps where practical to maintain or improve margin.

The business continues to improve its offering in the growth markets of wireless, cellular and Internet of Things (IoT) whilst maintaining a strong offering in the highly specialist areas of Military and Aerospace. Investments in engineering support in these areas have led to significantly increased business levels in, for example, the Global Systems for Mobile communications (GSM) arena.

Investments that have been made in the sourcing and obsolescence services operation are expected to start to bear fruit in the second half of the year and investment continues in this area to provide secure storage areas within the existing warehouse.

Efficiency improvements are now well underway with a wireless warehouse project to speed productivity expected to complete before the year end. Investment continues in personnel and the working environment with continuous training and infrastructure improvements including the conversion of all lighting to LED luminaires.

The division expects to hit its second half organic growth targets, meet its revenue targets and exceed its order input targets, positioning the business well for the 2018/19 financial year.

Outlook

The Group has a broad base of clients, products and markets which give a high degree of confidence in the stability and resilience of the Group.

The success of the growth strategy in action is amply demonstrated by the 9% organic growth in the computer business unit and near 20% growth in the distribution division in the period. The Board expects the strategy to deliver across other business units in a similar fashion.

The open order book at 31 October 2017 was £20.1m which is 38% up on the prior year of £14.6m. Order intake in October was at a record level, with the largest individual order representing 10% of the month's total and demonstrating a good spread of customers. The Directors are pleased with the new business pipeline and level of new contract awards across the Group.

This gives the Board confidence that despite the reduction in the margin as a result of the mix of product sales, the markets that the Company services are resilient and that the Group can deliver a strong second half performance and continue to deliver growth for the Company and its shareholders.

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

Tony Frere
Non-Executive Chairman
21 November 2017

INTERIM CONSOLIDATED INCOME STATEMENT
for the six months ended 30 September 2017

	Unaudited Six months to 30 Sept 17 £'000	Unaudited Six months to 30 Sept 16 £'000	Audited Year to 31 Mar 17 £'000
Continuing Operations			
Revenue	22,455	20,086	40,021
Cost of sales	(16,076)	(13,826)	(27,994)
Gross profit	6,379	6,260	12,027
Sales, general and administration expenses	(5,106)	(4,287)	(9,291)
Profit from operations	1,273	1,973	2,736
Finance costs	(7)	(41)	(42)
Profit before taxation	1,266	1,932	2,694
Tax expense	(161)	(302)	(405)
Adjusted profit after tax	1,370	1,703	2,693
Adjustments to profit	(265)	(73)	(404)
Profit after taxation	1,105	1,630	2,289
Loss from discontinued operations	-	(233)	(438)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	1,105	1,397	1,851
Other comprehensive income	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,105	1,397	1,851
Earnings per share (see below)			
Basic EPS from continuing operations	13.1p	19.4p	27.2p
Basic EPS from discontinued operations	-	(2.8p)	(5.2p)
Basic EPS from profit for the year	13.1p	16.6p	22.0p
Diluted EPS from continuing operations	13.0p	19.2p	27.1p
Diluted EPS from discontinued operations	-	(2.7p)	(5.2p)
Diluted EPS from profit for the year	13.0p	16.5p	21.9p

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2017
(unaudited)

	Share Capital £'000	Share premium reserve £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Shares held in Treasury £'000	Total £'000
Balance at 31 March 2016	421	3,629	5	11,991	(281)	15,765
Total comprehensive income for the period	-	-	-	1,397	-	1,397
Issue of new shares	4	-	-	-	-	4
Dividends	-	-	-	(677)	-	(677)
Share based payment expense	-	-	-	-	-	-
Balance at 30 September 2016	425	3,629	5	12,711	(281)	16,489
Total comprehensive income for the period	-	-	-	454	-	454
Issue of new shares	-	-	-	-	-	-
Dividends	-			(339)	-	(339)
Share based payment expense	-	-	-	-	-	-
Transfer of shares into All Employee Ownership Plan	-	-	-	-	38	38
Balance at 31 March 2017	425	3,629	5	12,826	(243)	16,642
Total comprehensive income for the period	-	-	-	1,105	-	1,105
Issue of new shares	-	-	-	-	-	-
Dividends	-	-	-	(677)	-	(677)
Share based payment expense	-	-	-	75	-	75
Balance at 30 September 2017	425	3,629	5	13,329	(243)	17,145

CONSOLIDATED BALANCE SHEET
as at 30 September 2017

	Unaudited as at 30 Sept 17 £'000	Unaudited as at 30 Sept 16 £'000	Audited as at 31 Mar 17 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2,386	1,501	2,406
Intangible assets	6,190	6,021	6,224
TOTAL NON-CURRENT ASSETS	8,576	7,522	8,630
CURRENT ASSETS			
Inventories	8,013	6,421	5,577
Trade and other receivables	9,247	9,083	8,085
Corporation tax recoverable	-	-	-
Cash and cash equivalents	-	232	909
TOTAL CURRENT ASSETS	17,260	15,736	14,571
TOTAL ASSETS	25,836	23,258	23,201
LIABILITIES			
CURRENT LIABILITIES			
Bank overdraft	(1,336)	(435)	-
Trade and other payables	(6,544)	(5,500)	(5,908)
Corporation tax liabilities	-	(173)	(324)
TOTAL CURRENT LIABILITIES	(7,880)	(6,108)	(6,232)
NON-CURRENT LIABILITIES			
Trade and other payables	-	(8)	-
Corporation tax liabilities	(470)	(254)	-
Deferred tax liability	(341)	(399)	(327)
TOTAL NON-CURRENT LIABILITIES	(811)	(661)	(327)
TOTAL LIABILITIES	(8,691)	(6,769)	(6,559)
TOTAL NET ASSETS	17,145	16,489	16,642
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	425	425	425
Share premium reserve	3,629	3,629	3,629
Capital redemption reserve	5	5	5
Retained earnings	13,329	12,711	12,826
Shares held in treasury	(243)	(281)	(243)
TOTAL EQUITY	17,145	16,489	16,642

CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 September 2017

		Unaudited as at 30 Sept 17 £'000	Unaudited as at 30 Sept 16 £'000	Audited as at 31 Mar 17 £'000
OPERATING ACTIVITIES				
Net profit from ordinary activities before taxation		1,266	1,641	2,155
Adjustments for:	Depreciation	238	205	447
	Amortisation	192	119	387
	Profit on disposal of property, plant and equipment	(2)	(9)	(17)
	Loss on disposal of intangible fixed assets	-	-	28
	Share based payment expense	75	-	-
	Finance costs	7	41	42
	Other	-	-	38
Operating profit before changes to working capital and provisions		1,776	1,997	3,080
(Increase)/decrease in inventories		(2,436)	(185)	626
(Increase)/Decrease in trade and other receivables		(1,161)	5,209	6,179
Increase/(Decrease) in trade and other payables		635	(915)	(548)
Cash (absorbed by)/ generated from operations		(1,186)	6,106	9,337
Income taxes paid		-	-	(185)
Income taxes recovered		-	-	-
Cash flows from operating activities		(1,186)	6,106	9,152
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(247)	(232)	(1,477)
Purchase of intangible assets		(158)	(11)	(426)
Proceeds from sale of property, plant and equipment		30	107	183
Consideration paid on acquisition of subsidiaries		-	(1,941)	(1,941)
Cash with subsidiaries over which control has been obtained		-	(114)	(114)
		(375)	(2,191)	(3,775)
FINANCING ACTIVITIES				
Issue of ordinary shares		-	4	4
Interest paid		(7)	(41)	(42)
Dividends paid to equity shareholders		(677)	(677)	(1,026)
		(684)	(714)	(1,064)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,245)	3,201	4,313
Cash and cash equivalents brought forward		909	(3,404)	(3,404)
CASH AND CASH EQUIVALENTS CARRIED FORWARD		(1,336)	(203)	909
Represented by:				
Cash at bank and in hand		-	232	909
Bank overdrafts		(1,336)	(435)	-
		(1,336)	(203)	909

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 2017, 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 2017 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 2017, 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 2018.

Going concern

The Directors, after making enquiries, and considering the available resources, the financial forecast together with available cash and committed borrowing facilities, have formed a judgement that there is a reasonable expectation that the Company and the Group have adequate resources to continue operating for the foreseeable future and therefore the going concern basis has been adopted in preparing these financial statements.

In reaching this conclusion, the Board has considered the magnitude of potential impacts resulting from uncertain future events or changes in conditions, the likelihood of their occurrence and the likely effectiveness of mitigating actions that the Directors would consider undertaking.

2. Accounting policies

The accounting policies are unchanged from the financial statements for the year ended 31 March 2017.

Recent accounting developments

During the current reporting period there were no new standards or amendments which had a material impact on the net assets of the Group. In addition, standards or amendments issued but not yet effective are not expected to have a material impact on the net assets of the Group. However, the Group is closely monitoring the IASB projects on Contract Revenue recognition and the Lease accounting overhaul as they could potentially have a material impact on the Group's results.

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 2017.

Additional disclosure of the basis of measurement and policies in respect of financial instruments are described on pages 56 to 62 of our 2017 Annual Report and remain unchanged at 30 September 2017.

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 2017.

Impairment
No Impairment charges have been recognised in the period to 30 September 2017.

3. Principal risks and uncertainties

The principal risks and uncertainties impacting the Group are described on pages 8 to 11 of our 31 March 2017 Annual Report and remain unchanged at 30 September 2017.

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 17 £'000	Unaudited Six months to 30 Sept 16 £'000	Audited Year to 31 Mar 17 £'000
Revenue			
Manufacturing	12,930	12,119	23,542
Distribution	9,525	7,967	16,479
Group revenue	**22,455**	**20,086**	**40,021**

5. Adjusted profit measures

	Unaudited Six months to 30 Sept 17 £'000	Unaudited Six months to 30 Sept 16 £'000	Audited Year to 31 Mar 17 £'000
Continuing operations			
Acquisition and re-organisation costs in cost of sales	-	-	*175*
Acquisition and re-organisation costs in sales, general and administration	*100*	-	*61*
Total acquisition and re-organisation costs	100	-	236
Amortisation of acquisition intangibles	110	91	203
Share based payments	75	-	-
Taxation effect	(20)	(18)	(35)
Total adjustments to profit	**265**	**73**	**404**
Reported gross profit from continuing operations	6,379	6,260	12,027
Adjusted gross profit from continuing operations	6,379	6,260	12,202
Reported gross margin percentage from continuing operations	28.4%	31.2%	30.1%
Adjusted gross margin percentage from continuing operations	28.4%	31.2%	30.5%
Reported operated profit from continuing operations	1,273	1,973	2,736
Adjusted operated profit from continuing operations	1,558	2,064	3,175
Reported operating margin percentage from continuing operations	5.7%	9.8%	6.8%
Adjusted operating margin percentage from continuing operations	6.9%	10.3%	7.9%
Reported profit before tax from continuing operations	1,266	1,932	2,694
Adjusted profit before tax from continuing operations	1,551	2,023	3,133
Reported profit after tax from continuing operations	1,105	1,630	2,289
Adjusted profit after tax from continuing operations	1,370	1,703	2,693

6. The earnings per share

The earnings per share is based on the following:

	Unaudited Six months to 30 Sept 17 £'000	Unaudited Six months to 30 Sept 16 £'000	Audited Year to 31 Mar 17 £'000
Adjusted continuing earnings post tax	1,370	1,703	2,693
Reported continuing earnings post tax	1,105	1,630	2,289
Discontinued earnings post tax	-	(233)	(438)
Adjusted total earnings post tax	1,370	1,488	2,255
Reported total earnings post tax	1,105	1,397	1,851
Weighted average number of shares	8,464,582	8,391,742	8,426,418
Diluted weighted average number of shares	8,528,217	8,475,740	8,474,578
Reported EPS			
Basic EPS from continuing operations	13.1p	19.4p	27.2p
Basic EPS from discontinued operations	-	(2.8p)	(5.2p)
Basic EPS from profit for the year	13.1p	16.6p	22.0p
Diluted EPS from continuing operations	13.0p	19.2p	27.1p
Diluted EPS from discontinued operations	-	(2.7p)	(5.2p)
Diluted EPS from profit for the year	13.0p	16.5p	21.9p
Adjusted EPS			
Adjusted basic EPS from continuing operations	16.2p	20.3p	32.0
Adjusted basic EPS from discontinued operations	-	(2.8p)	(5.2p)
Adjusted basic EPS from profit for the year	16.2p	17.5p	26.8p
Adjusted diluted EPS from continuing operations	16.1p	20.1p	31.8p
Adjusted diluted EPS from discontinued operations	-	(2.7p)	(5.2p)
Adjusted diluted EPS from profit for the year	16.1p	17.4p	26.6p

7. Dividends

Dividends paid during the period from 1 April 2016 to 30 September 2017 were as follows:

23 September 2016	Final dividend year ended 31 March 2016	8.00p per share
20 January 2017	Interim dividend year ended 31 March 2017	4.00p per share
22 September 2017	Final dividend year ended 31 March 2017	8.00p per share

The directors are intending to pay an interim dividend for the year ended 31 March 2018 on 16 February 2018 of 4.00p per share. This dividend has not been accrued at 30 September 2017.

8. Share capital

	Unaudited Six months to 30 Sept 17 No.	Unaudited Six months to 30 Sept 16 No.	Audited Year to 31 Mar 17 No.
Allotted issued and fully paid			
Number of ordinary 5p shares	8,496,512	8,496,512	8,496,512

	Unaudited Six months to 30 Sept 17 £'000	Unaudited Six months to 30 Sept 16 £'000	Audited Year to 31 Mar 17 £'000
Allotted issued and fully paid			
Ordinary 5p shares	425	425	425

9. Related party transactions

Consistent with the year ended 31 March 2017 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 note 5 in the annual report to the 31 March 2017 and will be updated in the full year report to the 31 March 2018. There are no other related party transactions.

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