RNS Number : 4121P
Solid State PLC
10 December 2024

Solid State plc
("Solid State", the "Group" or the "Company")
Interim Results

Analyst Briefing & Investor Presentation

Solid State plc (AIM: SOLI), the specialist value added component supplier and design-in manufacturer of computing, power, and communications products, announces its Interim Results for the six months ended 30 September 2024. These results were impacted by challenging trading conditions, as well as the previously announced acceleration of revenues from our Systems division into the prior financial year. Specifically, an order representing circa £10m of revenue and circa £3.0m of profitability anticipated in the current financial year was delivered in the prior year ended 31 March 2024. Had this landed as anticipated in the current period, revenues and adjusted profit before tax in H1 2024/25 would have been circa £72m (H1 23/24: £88.1m) and £5.5m (H1 23/24: £7.3m) respectively.

Financial highlights:

	H1 2024/25	**H1 2023/24**	**Change**
Revenue	£61.8m	£88.1m	-29.9%
Gross margin	31.1%	31.0%	+10bps
Operating profit margin	3.0%	7.9%	-490bps
Adjusted operating profit margin*	5.1%	9.2%	-410bps
Profit before tax	£1.2m	£6.1m	-80.3%
Adjusted profit before tax*	£2.5m	£7.3m	-65.7%
Diluted earnings per share	8.4p	39.1p	-78.5%
Adjusted diluted earnings per share	17.5p	46.8p	-62.6%
Interim dividend**	0.83p	1.40p	-40.7%
Net cash flow from operating activities	£7.2m	£8.3m	-13.3%
Adjusted operating cash conversion	231%	102%	+129%
Net cash / (net debt)***	£(2.0)m	£(3.9)m	+£1.9m

* 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 re-organisation cost/acquisition costs and fair value adjustments.

** H1 23/24 comparative re-stated from disclosed 7p to reflect 4 for 1 bonus share issue in October 2024.

*** Net cash / (debt) includes net cash with banks £8.4m (H1 23/24: £8.8m), bank loans of £10.4m (H1 23/24: £12.7m) and excludes the right of use lease liabilities of £3.7m (H1 23/24: £1.8m).

Commercial and operational highlights:

- *The pipeline of new design wins across the Group remains strong in all target markets, giving confidence that the underlying growth drivers in our target markets remain.*
- *Planned overhead and capital investments in excess of £2.0m in our Systems Division are progressing well, enhancing the capacity and capabilities in our RF Communications business unit and the new Integrated Systems site at Ashchurch. These investments will deliver revenue in FY25/26.*
- *A rebranding exercise was completed in H1, giving a common brand identity underpinning and linking the operating companies, facilitating joint working with resulting benefits.*

Post-Period highlights:

- *Completed the acquisitions of Gateway Electronic Components Ltd and Q-Par Antennas USA LLC.*
- *The open orderbook on 30 September 2024 of £76.6m (H1 23/24: £99.7m) has rebuilt to £85.5m on 30 November*

2024, which combined with a strong prospect pipeline, gives the Directors confidence in meeting revised full year consensus analyst expectations[1].

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

"These results reflect difficult trading conditions in the first half of the year due to a combination of factors, mostly cyclical in nature but some unforeseen. Management have taken steps to mitigate their effect, and the Board is confident that ongoing investment in facilities and people will build a strong platform for strategic growth.

"Leading indicators, including the rate of design activity, suggests that the electronics market appears to have reached the bottom of the cycle, and this is reinforced by the improvement in order books since the period end. The delay in revenues from the most recent tranche of Communications products was unexpected, and there are good grounds to be optimistic that these programmes will be resumed after due process.

"The Directors are confident of a return to a growth trajectory, whilst taking a cautious approach to short term earnings guidance and dividend policy to recognise some uncertainty on timing."

[1] *The Company considers the average of the most recently published research forecasts prior to this announcement by all providers - Cavendish Capital Markets Ltd and Zeus Capital Ltd to represent market expectations for Solid State.*

Market Expectations	***FY24/25***	***FY25/26***
Revenue	*£123.0m*	*£131.8m*
*Adjusted profit before tax**	*£4.0m*	*£6.0m*
Net (debt) / cash	*(£4.1m)*	*(£2.1m)*

Analyst Briefing: 9.30 a.m. today, Tuesday 10 December 2024

An online briefing for Analysts will be hosted by Gary Marsh, Chief Executive, and Peter James, Group Finance Director, at 9.30 a.m. today, Tuesday 10 December 2024 to review the results and prospects. Analysts wishing to attend should contact Walbrook PR on solidstate@walbrookpr.com or on 020 7933 8780.

Investor Presentation: 2.00 p.m. on Thursday 12 December 2024

Gary Marsh, Chief Executive; Peter James, Group Finance Director; will hold a presentation to cover the results and prospects at 2.00 p.m. on Thursday 12 December 2024. The presentation will be hosted through the digital platform Investor Meet Company. Investors can sign up to Investor Meet Company for free and add to meet Solid State plc via the following link https://www.investormeetcompany.com/solid-state-plc/register-investor. Investors who have already registered and added to meet the Company will automatically be invited.

Questions can be submitted pre-event to solidstate@walbrookpr.com, or in real time during the presentation via the "Ask a Question" function.

Investor Site Visits to Head Office in Redditch

Solid State holds site visits to its head office in Redditch where operations from both the Systems and Components divisions can be seen. Interested investors should contact solidstate@walbrookpr.com.

This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("MAR"). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

For further information please contact:

Solid State plc Gary Marsh - Chief Executive Peter James - Group Finance Director	Via Walbrook
Cavendish Capital Markets Limited (Nominated Adviser & Broker) Adrian Hadden / Callum Davidson (Corporate Finance) Jasper Berry / Tim Redfern (Sales / ECM)	020 7220 0500
Walbrook PR (Financial PR) Tom Cooper / Nick Rome / Joe Walker	020 7933 8780 0797 122 1972 solidstate@walbrookpr.com

Analyst Research Reports: For further analyst information and research see the Solid State plc website: https://solidstateplc.com/research/

Notes to Editors:
Solid State plc (AIM: SOLI) is a leading value-added electronics group supplying industrial and defence markets with durable components, assemblies and manufactured systems for use in critical applications, with a particular emphasis on harsh operational environments. Solid State's products are found around the world, from the ocean floor and into space, ensuring the smooth operation of systems that augment our everyday lives.

The Company has a core focus on industrial and ruggedised computing, battery power solutions, antennas, secure radio systems, imaging technologies, and electronic components & displays.

Operating through two divisions (Systems and Components) the Group thrives on complex engineering challenges, often requiring design-in support and component sourcing. Serving a wide range of industries, with a particular focus on defence, energy production, aerospace, environmental, oceanographic, industrial, robotics, medical, life sciences, and transportation, the Solid State trading brands have become synonymous with quality and reliability. The Group operates under the brands of Steatite, Solsta, Custom Power, Pacer, Active Silicon, Gateway, Durakool and Q-Par.

Solid State plc is headquartered in Redditch, UK, and employs over 400 people around the world. The business has seven production facilities in the UK and two in the USA. In total, including all office locations, the Group operates from 15 national and international sites.

Solid State was established in 1971 and admitted to AIM in June 1996. The Group has grown organically and by acquisition - having made five acquisitions in the last four years.

Take a look at the videos below for more insight into the Solid State Group.

Introduction to Solid State - https://youtu.be/1M_Q_B1mYic

Why invest in Solid State? - https://youtu.be/ShmTz6005ws

STRATEGIC AND OPERATIONAL REVIEW

Trading conditions during the six months ended 30 September 2024 ("First Half", "Period", or "H1 2024/25") have been challenging, with customers across many sectors continuing to de-stock following a particularly strong comparable period.

This was further compounded by the acceleration of communications revenues into Q4 of the financial year ended 31 March 2024, which had originally been expected and budgeted for in the current year. As announced in our trading update on 27 March 2024, this acceleration contributed to the record results achieved for that financial year. Had this landed as anticipated in the current period revenues and profits in H1 2024/25 would have been circa £72m and £5.5m respectively.

This has had an adverse effect on these results. Encouragingly, the Group has entered the Second Half with order intake returning to a positive trend and underpinning confidence in the outlook for the Second Half and into next year.

Strategy and progress

Solid State's growth strategy combines organic and acquisitive growth to actively target strategic customers in sectors with high barriers to entry that require accreditations, long standing credibility, and specialist skills and experience where our technology adds tangible value.

The Group's key target markets include industrial, security and defence, medical, transport, and energy.

Our four strategic pillars to drive growth remain:

- Talent development embedding our ESG values;
- Broadening our complementary product and technology portfolio;
- Development of our "own brand" components and systems offering, securing recurring revenue; and
- Internationalisation of the Group.

The following key milestones represent critical steps in the delivery of our strategy, and are foundations upon which our 2030 plans and ambitions will continue to build:

- The new "Executive Board" is working well and is driving progress in developing and delivering the strategy;
- Investment in the development of our technical capabilities and expertise with the new Ashchurch facility for Integrated Systems to enhance the relevance and value-added differentiation of our offering to our Tier 1 customers;
- Continue to generate cash and pay down borrowings to position the Group for future investments;
- Completion of the rebranding of the existing Group provides a common look and feel, and will facilitate the presentation of the wider Solid State offering to existing and prospective customers; and,
- Post Period-end the acquisitions of Gateway and Q-Par provide small but important strategic value to drive mid-term operating margin enhancement and organic growth for their respective divisions.

Environmental Social and Governance ("ESG")

ESG is at the core of Solid State's strategy, creating a long-term sustainable business which minimises our impact on the environment and maximises value for our stakeholders.

Our technology, products and systems are designed and engineered to be high quality, often upgradable with a long life, which inherently means we are starting from a strong position. These characteristics help to differentiate us from our competitors and enable us to be ambitious in how we operate. We believe we are a business leading on ESG in our sector.

Our ESG Committee continues to improve our communication with stakeholders to articulate our ESG strategy and deliver on our goals, including achieving net zero in Scope 1 and 2 emissions by 2050.

Performance and markets

The Group's strategy and focus incorporates sector, product, and customer diversity to provide a resilient business model. This has continued to prove its value when contrasting with a particularly strong comparative period in FY23/24, enabling the Group to withstand a difficult combination of events. Our long-standing relationships, strong commitment to customer service, and proactive management of semiconductor supply chains have enabled us to maintain a well-diversified customer base across our target markets.

Solid State has been successful in building on its relationships with Tier 1 customers across our target growth markets of medical, transport, security and defence, and industrial, where we have seen design in and equipment contract wins with certain larger orders announced during the Period and post Period-end.

The global electronics market has continued to normalise, with orderbooks adjusting to reflect shorter lead times and unwinding of overstocking. Political and economic uncertainty has affected some sectors, with certain customers delaying orders in response to shorter lead times combined with slower demand. The Group has however seen good demand and increased billings for Internet of Things ("IoT") with communications components having secured two new franchises in the USA.

The Group is well positioned in security and defence markets. This sector is highly regulated, with substantial barriers to entry for those without many years of experience. The Directors have identified high growth potential for this business, which has excellent relationships with strategically important customers, innovative technology, and operates in an environment which will benefit from increased levels of public spending, both domestic and internationally, in coming years.

Within the Systems Division, the Group has committed to building a robust platform to deliver this growth, including the addition of highly skilled and experienced people, and opening new capacity in a dedicated "Integrated Systems" production facility which is expected to be operational and contributing revenue in FY25/26. This facility will boost the Group's technical capabilities and capacity, drive organic growth, and improve margins in the mid-term.

The cost of this investment amounts to approximately £2.0m on an annualised basis and commenced in the current year. Unfortunately, the timing of this investment coincided with an unexpected postponement in the delivery of a specific communications programme which was scheduled for delivery in Q4 FY24/25.

As a result, the Group is currently absorbing the additional overhead costs without the benefit of the programme. The delayed programme is expected to proceed in due course, though the precise timing remains uncertain. In light of this, the Directors have advised excluding this programme from current earnings forecasts while maintaining confidence in its eventual delivery.

The Group's Power business unit has achieved significant progress by securing several major orders for battery systems from key Tier 1 customers in the robotics, drone, and naval sonar buoy sectors. These high quality projects, along with an improved pipeline of prospects in both the US and UK, reflect a strategic shift toward higher-value activities. This focus will help offset the impact of exiting lower value-added customer accounts in future periods, however, the decision to exit these accounts has created a near-term headwind, which is adversely impacting performance in the current year.

We will continue to make mid-term investment as a Group in the medical market, given it has similar characteristics to defence and security (D&S) (accreditations, know-how, longer design cycles etc). Developing this market over the longer term will act as a complement and balance our strength in the D&S market. We have achieved the ISO13485 medical standard in our production facility in Weymouth, which is an important accreditation to facilitate growth. The medical market remains buoyant, the design and pipeline development has been building with activity strong across both divisions, including exciting new engineering projects and design wins, which are expected to translate into production demand as we head into FY25/26 and beyond.

Despite the particularly strong comparative period, on a constant currency basis and excluding the impact of the large communications project, year-on-year revenues are broadly similar. We remain focused on effective execution in the final four months of the financial year which combined with the robust order intake at the start of the Second Half, has secured demand to meet the recently revised consensus expectations.

Branding and Market positioning

During the First Half we have completed the initial adoption of the new branding for the existing Group companies with Active Silicon, Steatite and Custom Power all adopting the common family approach. This has made it simpler to articulate "who we are, what we do and why it is unique and different from our competitors". It has also provided a common brand platform facilitating the presentation of Group capabilities to existing and new customers.

People and leadership development

Group leadership has been strengthened by the creation of an Executive Board, reporting to the Directors, which has been tasked with the delivery of strategic objectives, monitoring and control of ongoing operational and commercial activities and continuous improvement.

We remain committed to investing in new talent and strengthening our senior team across the Group. This includes implementing a General Management structure within the Systems business units, enhancing the US team with Engineering, Quality, and HR management roles, and recruiting additional talent in IT, Health & Safety, and Project Management in the UK. Developing our Group leadership team is a critical driver for future growth. Significant investment has been directed towards building expertise in growth areas such as communications and integrated systems, with several internal promotions reflecting our commitment to nurturing talent. Notably, close to 50% of vacancies have been filled internally, supported by strategic external hires when necessary. These efforts underscore our dedication to fostering a capable and resilient team to drive the Group's ambitions forward.

The work of the ESG Committee is continuing to build our internal communications through HR roadshows, to ensure that our environmental, social and wellbeing initiatives are embraced by our people. The Executive Board is now driving progress in developing and delivering the strategy, strengthening the leadership, and improving succession planning, which is critical in ensuring our leadership structure can deliver the next phase of the Group's growth.

M&A activities

The Group has completed two relatively small bolt-on acquisitions post Period-end.

The acquisitions of Gateway Electronic Components ("Gateway") and Q-Par Antennas USA ("Q-PAR") complement the development of the US sales channel for the Group's own brand products (Durakool, Steatite Antenna and Optical), and will equally drive mid-term operating margin enhancement and organic growth.

Gateway Electronic Components Ltd

Gateway was acquired for £1.4m. Gateway, a specialist in ferrite and magnetic components, brings a complementary product range and expertise, aligning with Solid State's strategy of value-added engineering solutions. This acquisition is expected to enhance earnings and margins within the Group's Components division, while offering cross-selling opportunities and expanding the customer base. The addition of Gateway's machined own brand ferrite products will also benefit from Solid State's international sales channels, driving further growth.

Q-Par Antennas USA LLC

The business was acquired for a consideration of up to 2.0m. Q-Par is a long-standing distribution partner, specialising in antenna systems for defence and security, providing Solid State with a secure US distribution channel and approved supplier status for key defence contractors. This acquisition strengthens the Group's US presence, supports medium-term growth through potential onshore production, and enhances our capability to scale in the world's largest antenna market.

In addition to the completed acquisitions, the Board continues to actively explore attractive acquisition opportunities across its target markets both overseas and in the UK. The acquisition pipeline for both divisions is healthy, with particular focus on adding technology and further internationalisation of the Group.

Outlook

The Board has set out a strategy for Solid State to develop its business through the delivery of multi-year, multi-product programmes as a valued partner to international blue-chip customers. This has delivered consistent success over the past several years, including record financial results in the previous financial year.

Our core markets are highly regulated, with significant barriers to entry and opportunities to earn premium margins. To meet these exacting requirements, the Group invests in talent, facilities and product development, sometimes ahead of the available return.

Certain market applications can be cyclical in nature, and others are dependent upon spending approvals, the timing of which can be affected by national and international events.

Whilst the Group has experienced some setbacks in delivery this financial year, the Board remains confident that the strategic priorities are unchanged. The business model is resilient, and the Group has taken steps to reduce discretionary spending and working capital investment, to provide a robust balance sheet and minimal net debt at the period end.

There are tentative signs of cyclical improvement in the leading indicators for the industry, and this is reflected in order intake in recent weeks. The Group order book at 30 November 2024 of £85.5m provides confidence that current earnings guidance for this year and next is deliverable, with potential to outperform, especially in view of spending on individually large programmes that are currently in abeyance.

Looking ahead, the new facility at Ashchurch and the two bolt-on acquisitions completed since the period end exemplify a willingness to invest and build capabilities and critical mass, enabling a return to above market organic growth through the cycle.

Gary Marsh
Chief Executive Officer
10 December 2024

FINANCIAL REVIEW

Revenues for the First Half are £61.8m and adjusted profits before tax are £2.5m (H1 23/24 - revenue £88.1m and adjusted profits before tax of £7.3m) where the Group benefitted from recognising £23.4m of security and defence revenues in its Systems Division in H1 23/24. The Group has continued to be cash generative in the First Half of the year and we anticipate cash generation from operations continuing in the Second Half. We will continue to make investments, both organic and acquisitive, investing the cash generated.

Group adjusted operating margins remain a key focus. The lower revenues in the First Half resulted in a significant margin reduction to 5.1%. However, with the anticipated stronger performance in the Second Half, we expect adjusted operating margins to recover towards 8% for the full year, driven by operational gearing benefits.

Adjusted EPS for the Period stands at 17.7p (H1 23/24: 47.5p), reflecting the timing of revenues recognised in the First Half. However, with a strong second-half contribution anticipated, we remain confident in meeting full-year expectations.

The First Half was impacted by destocking and slower customer demand, further compounded by the non-recurrence of £23.4m in security product deliveries from the comparative period. Despite these headwinds, the Group remained profitable and achieved positive operating cash generation of £7.2m (H1 23/24: £8.3m).

Revenue

The Group reported revenue of £61.8m for the period (H1 23/24: £88.1m), representing a 29.9% decline compared to the prior period. The primary driver of this reduction was the absence of shipments from the "Communications Programme revenues" during the current period, combined with a currency-related revenue headwind of approximately £0.7m, with the average USD exchange rate at 1.28:£1 (H1 23/24: 1.26:£1).

Adjusting for the impact of "Communications Programme revenues" and foreign exchange, underlying core business revenues declined by approximately 3.5%. This decline in underlying core revenues reflects challenges in the sector particularly impacting the Components division. However, this has been partially offset by stronger performance from non-Communications programme revenues within the Systems division.

Divisional review

The Components Division delivered revenue of £26.8m (H1 23/24: £31.4m), a 14.6% decrease on the prior year driven by the combination of destocking and a slowdown in the industrial and transport sectors. Gross margins have however continued to be robust at 24.5% (H1 23/24: 23.6%) reflecting a focus on growing the value add and own brand products to enhance the margin mix. Post Period-end we have seen an upturn in order intake (particularly in the US) which provides confidence that we will see stronger billings in the Second Half and design activity remains strong.

As referred to above, the Systems Division had an exceptionally strong start to the prior year, driven by D&S shipments. Adjusting for these shipments, comparable revenues are circa. 6.4% ahead on a constant currency ("cc") basis, at £35.0m ("underlying cc" H1 23/24: £32.9m, reported H1 23/24: £56.7m).

As in our Components Division, the Systems Division has experienced delays in investment programmes, particularly in the UK. The announcement of the Strategic Defence Review, expected to report in June 2025, has led to a significant slowdown in the awarding of defence contracts. Additionally, the rail transportation sector has faced challenges, with the anticipated re-nationalisation of the railways prompting Train Operating Companies (TOCs) to adopt a cautious approach to investments. Despite these headwinds, we are identifying promising opportunities, particularly with clients in road transportation and traffic management. Moreover, we have seen a notable improvement in the project pipeline and contract awards within the US defence sector, as previously announced.

Following the Period-end, we have secured several significant orders for our battery systems from key Tier 1 customers in the robotics, drone, and naval sonar buoy sectors as well as several important follow-on orders within the Components division. This reinforces our confidence in delivering Second Half performance in-line with the revised expectations.

Furthermore, looking ahead to 2026 and beyond, the Group believes there are similar significant opportunities for material projects and revenues to be secured as the communications technology is adopted by a growing D&S user base across the NATO alliance.

Gross margins

Product margins in the First Half showed slight improvement across the Group. However, as previously noted, the overall margin mix was diluted by lower Systems billings.

Consequently, gross margins for the Period totalled £19.2m (H1 23/24: £27.3m), with the margin percentage increasing slightly by 0.1 percentage points to 31.1% (H1 23/24: 31.0%).

Overheads

Sales, general, and administrative expenses for the Period were £17.4m (H1 23/24: £20.4m), significantly lower than the prior year and slightly below the Second Half of FY23/24.

During the First Half, the Group implemented several cost mitigation measures, resulting in approximately £1m in annualised cost reductions, primarily in areas facing more challenging trading conditions.

Despite these measures, we remain committed to significant investment in key areas with strong mid-term growth potential, including our new integrated systems facility in Tewkesbury and the expansion of our capability to deliver additional RF communications products. On a full year basis this will reflect an investment in additional overhead in excess of £2.0m.

Operating margin

Adjusted performance metrics, which provide a clear view of the Group's ongoing cash-based performance, remain consistent with prior periods. These metrics exclude the impact of acquisition-related intangible amortisation, non-recurring tax credits, acquisition fees, and share option expenses.

The Group faced an operational gearing headwind due to lower revenues, resulting in a decline in adjusted operating margins to 5.1% (H1 23/24: 9.2%). Reported operating margins also fell to 3.0% (H1 23/24: 7.9%).

PBT

Adjusted profit before tax ("PBT") has decreased to £2.5m, down 65.7% (H1 23/24: £7.3m). Profit before tax was £1.2m (H1 23/24: £6.1m).

Tax

The expected effective tax rate has decreased year-on-year to 19.1% (H1 23/24: 25.6%), primarily due to lower profitability. This has amplified the impact of share option tax deductions and enhanced tax allowances, reducing the effective rate below the standard rate of 25%. Additionally, benefits from R&D tax credits are now reflected within operating margins rather than in the tax line.

PAT

Adjusted profit after tax ("PAT") has decreased to £2.0m, down 63.0% (H1 23/24: £5.4m). Profit after tax was £1.0m (H1 23/24: £4.5m).

EPS

These basic and adjusted EPS figures are calculated using the share capital at the balance sheet date which was pre the bonus share award of 4 shares for every one share held which was completed in October.

The weaker start to the financial year results in adjusted diluted earnings per share ("EPS") at 17.5p (H1 23/24: 46.8p) and with basic EPS of 8.6p (H1 23/24: 39.7p).

Dividend

The Board remains committed to delivering returns to shareholders, including the payment of dividends. Despite the short-term challenges the business is facing, dividends will continue, albeit at a reduced level aligned with current profitability.

Following the post-period bonus share award of 4 shares for every 1 share held, the H1 23/24 dividend of 7p per share equates to 1.4p on a like-for-like basis. Considering the Group's trading performance in the First Half and the outlook for the full year, the Board has declared an interim dividend of 0.83p per share (H1 23/24 reported: 7.0p).

The interim dividend will be paid on 14 February 2025 to shareholders on the register as of close of business on 24 January 2025. Shares will go ex-dividend on 23 January 2025.

Cashflow

Operating cash

Operating cash generation during the First Half remained a key focus for the management team. Cash inflow from operating activities totalled £7.2m (H1 23/24: £8.3m), reflecting proactive efforts to effectively manage working capital. This resulted in an adjusted operating cash conversion of 231% (H1 23/24: 102%).

Investing activities

Capital expenditure in the First Half was broadly consistent with prior years at £1.6m (H1 23/24: £1.3m). The primary project during this period was the fit-out of the new Ashchurch site in Tewkesbury combined with ongoing maintenance across the Group. We anticipate a slight increase in full-year capital expenditure compared to previous years as we continue to invest in the Ashchurch facility.

In the First Half, there were no acquisition-related payments, compared to £5.5m in the prior year for the full and final settlement of deferred considerations related to Active Silicon and Custom Power.

Financing activities

Underpinned by the strong cash generation during the First Half, we have paid the final dividend of £1.6m (H1 23/24 £1.5m).

Furthermore, we have seen repayment of £2.8m of overdraft and term loans and interest payments of £0.6m. Pleasingly in the Period we have negotiated credit interest on our cash balances which partly mitigates our borrowing costs.

Post Period-end, we have made significant progress in negotiating an enlarged multi-currency revolving credit facility (RCF) and overdraft with the Group's existing banking partners. These new facilities are expected to be committed for three years and will replace and refinance the current arrangements, including the term loan set to mature in Summer 2025. Completion is expected well ahead of the financial year-end.

Statement of financial position

Inventory

Inventory levels across the Group remained stable compared to the year-end position, increasing slightly to £25.4m (H1 23/24: £27.7m; Full Year 23/24: £25.1m). The half-year inventory includes approximately £2.6m of products purchased on a last-time-buy basis, backed by non-cancellable orders. This inventory is expected to unwind over the next three quarters, spanning H2 and early FY25/26.

Receivables

Receivables at the half-year stood at £18.7m (H1 23/24: £20.7m; Full Year 23/24: £31.5m), significantly lower than the year-end position. This reduction reflects softer billings in the First Half, combined with the unwind of strong year-end billings driven by securing inventory to meet additional customer demand just before year-end. Encouragingly, receivables aging improved slightly during the First Half, with several overdue balances as of 31 March 2024 successfully collected during the Period.

Net assets

The trading performance resulted in net assets decreasing from £64.6m at the year-end to £62.5m (H1 23/24: £61.8m). The reduction primarily reflects the final dividend payment of £1.6m and a £1.8m foreign currency translational impact recognised in reserves. These were partially offset by the retained profit for the Period of £1.0m and a £0.3m share-based payments credit.

As the company has typically done in previous years, we expect to purchase a modest number of shares into treasury for the purpose of the all employee share scheme during the second half.

Net debt

Net debt reduced from £4.7m at the year-end to £2.0m (H1 23/24: £3.9m), reflecting strong cash generation during the First Half. At Period-end, net debt comprised £8.4m in cash with banks and £10.4m in borrowings.

While we anticipate continued positive cash generation from operations in the Second Half, this will be more than offset by planned investments, including the post-Period acquisitions of Gateway and Q-Par. As a result, we expect to see a modest increase in net debt by year-end in line with expectations.

Leverage (defined as Net debt / EBITDA) on a full year basis is expected to be circa 0.5x, which means the business should have in excess of £10m debt capacity to fund future investment both organic and bolt-on acquisitions to drive our growth strategy.

Statement of Directors' responsibilities

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as 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.

Peter James
Chief Financial Officer
10 December 2024

INTERIM CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

	Unaudited	Unaudited	
	Six months	Six months	Audited Year

Continuing operations	to 30 Sept 24 £'000	to 30 Sept 23 £'000	to 31 Mar 24 £'000
Revenue (see note4)	**61,775**	**88,125**	**163,303**
Cost of sales	**(42,586)**	**(60,830)**	**(111,476)**
Gross profit	**19,189**	**27,295**	**51,827**
Sales, general and administration expenses	**(17,359)**	**(20,360)**	**(38,149)**
Profit from operations	**1,830**	**6,935**	**13,678**
Finance costs	**(624)**	**(871)**	**(1,491)**
Profit before taxation	**1,206**	**6,064**	**12,187**
Taxation expense	**(230)**	**(1,551)**	**(3,281)**
Adjusted profit after taxation	**2,018**	**5,396**	**11,680**
Adjustments to profit (see note 5)	**(1,043)**	**(883)**	**(2,774)**
Profit after taxation	**975**	**4,513**	**8,906**
Profit attributable to equity holders of the parent	**975**	**4,502**	**8,872**
Profit attributable to non-controlling interests	**-**	**11**	**34**
Other comprehensive (loss)/ income - FX on overseas operations	**(1,794)**	**652**	**(679)**
Other comprehensive (loss)/ income - taxation	**-**	**(65)**	**-**
Adjusted total comprehensive income for the period	**224**	**6,048**	**11,001**
Adjustments to total comprehensive income / (loss)	**(1,043)**	**(948)**	**(2,774)**
Total comprehensive (loss)/ income for the period	**(819)**	**5,100**	**8,227**
Comprehensive (loss)/ income attributable to equity holders of the parent	**(819)**	**5,089**	**8,193**
Comprehensive income attributable to non-controlling interests	**-**	**11**	**34**
Earnings per share (see Note 6)			
Basic EPS from profit for the period	**8.6p**	**39.7p**	**78.0p**
Diluted EPS from profit for the period	**8.4p**	**39.1p**	**76.0p**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024 (UNAUDITED)

	Share capital £'000	Share premium reserve £'000	Foreign exchange reserve £'000	Other reserves £'000	Retained earnings £'000	Shares held in treasury £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 31 Mar 2023	**567**	**30,474**	**(836)**	**5**	**27,805**	**(108)**	**57,907**	**47**	**57,954**
Dividends	-	-	-	-	(1,529)	-	(1,529)	-	(1,529)
Share-based payment credit	-	-	-	-	243	-	243	-	243
Transactions with owners in their capacity as owners	**-**	**-**	**-**	**-**	**(1,286)**	**-**	**(1,286)**	**-**	**(1,286)**
Result for the period	-	-	-	-	4,502	-	4,502	11	4,513
Other comprehensive income	-	-	-	-	(65)	-	(65)	-	(65)
Foreign exchange	-	-	652	-	-	-	652	-	652
Total comprehensive income	**-**	**-**	**652**	**-**	**4,437**	**-**	**5,089**	**11**	**5,100**
Balance at 30 Sep 2023	**567**	**30,474**	**(184)**	**5**	**30,956**	**(108)**	**61,710**	**58**	**61,768**
Issue of new shares	2	107	-	-	-	-	109	-	109
Transfer of treasury shares to All Employee Share Plan	-	-	-	-	(72)	72	-	-	-
Dividends	-	-	-	-	(793)	-	(793)	-	(793)
Share-based payment credit	-	-	-	-	560	-	560	-	560
Acquisition of non-controlling interests	-	-	-	(69)	-	-	(69)	-	(69)
Transactions with non-									

controlling interests	-	-	-	-	-	-	-	(81)	(81)
Transactions with owners in their capacity as owners	**2**	**107**	**-**	**(69)**	**(305)**	**72**	**(193)**	**(81)**	**(274)**
Result for the period	-	-	-	-	4,370	-	4,370	23	4,393
Other comprehensive income	-	-	-	-	65	-	65	-	65
Foreign exchange	-	-	(1,331)	-	-	-	(1,331)	-	(1,331)
Total comprehensive income	**-**	**-**	**(1,331)**	**-**	**4,435**	**-**	**3,104**	**23**	**3,127**
Purchase of treasury shares	-	-	-	-	-	(1)	(1)	-	(1)
Balance at 31 Mar 2024	**569**	**30,581**	**(1,515)**	**(64)**	**35,086**	**(37)**	**64,620**	**-**	**64,620**
Dividends	-	-	-	-	(1,649)	-	(1,649)	-	(1,649)
Share-based payment credit	-	-	-	-	322	-	322	-	322
Transactions with owners in their capacity as owners	**-**	**-**	**-**	**-**	**(1,327)**	**-**	**(1,327)**	**-**	**(1,327)**
Result for the period	-	-	-	-	975	-	975	-	975
Foreign exchange	-	-	(1,794)	-	-	-	(1,794)	-	(1,794)
Total comprehensive income	**-**	**-**	**(1,794)**	**-**	**975**	**-**	**(819)**	**-**	**(819)**
Balance at 30 Sep 2024	**569**	**30,581**	**(3,309)**	**(64)**	**34,734**	**(37)**	**62,474**	**-**	**62,474**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2024

	Unaudited as at 30 Sept 24 £'000	Unaudited as at 30 Sept 23 £'000	Audited as at 31 Mar 24 £'000
Assets			
Non-current assets			
Intangible assets	**37,626**	**40,858**	**40,109**
Property, plant and equipment	**4,594**	**4,939**	**4,229**
Right-of-use lease assets	**3,717**	**1,792**	**3,586**
Deferred tax asset	**605**	**305**	**605**
Total non-current assets (see note 9)	**46,542**	**47,894**	**48,529**
Current assets			
Inventories	**25,387**	**27,704**	**25,084**
Trade and other receivables	**18,784**	**20,656**	**31,526**
Cash and cash equivalents - available on demand	**8,352**	**8,812**	**8,445**
Total current assets	**52,523**	**57,172**	**65,055**
Total assets	**99,065**	**105,066**	**113,584**
Liabilities			
Current liabilities			
Trade and other payables	**(13,871)**	**(16,298)**	**(21,644)**
Current borrowings	**(7,764)**	**(1,351)**	**(3,398)**
Contract liabilities	**(5,806)**	**(7,323)**	**(6,460)**
Corporation tax liabilities	**-**	**(1,578)**	**(1,224)**
Right of use lease liabilities	**(984)**	**(1,118)**	**(1,106)**
Provisions - current	**(50)**	**(327)**	**(126)**
Total current liabilities	**(28,475)**	**(27,995)**	**(33,958)**
Non-current liabilities			
Non-current borrowings	**(2,587)**	**(11,354)**	**(9,718)**
Provisions	**(843)**	**(892)**	**(843)**
Deferred tax liability	**(1,951)**	**(2,339)**	**(1,979)**

Deferred tax liability	[illegible]	[illegible]	[illegible]
Right-of-use lease liabilities	**(2,735)**	**(718)**	**(2,466)**
Total non-current liabilities	**(8,116)**	**(15,303)**	**(15,006)**
Total liabilities	**(36,591)**	**(43,298)**	**(48,964)**
Total net assets	**62,474**	**61,768**	**64,620**
Share capital (see note 8)	**569**	**567**	**569**
Share premium reserve	**30,581**	**30,474**	**30,581**
Other reserves	**(64)**	**5**	**(64)**
Foreign exchange reserve	**(3,309)**	**(184)**	**(1,515)**
Retained earnings	**34,734**	**30,956**	**35,086**
Shares held in treasury	**(37)**	**(108)**	**(37)**
Capital and reserves attributable to equity holders of the parent	**62,474**	**61,710**	**64,620**
Non-controlling interests	**-**	**58**	**-**
Total equity	**62,474**	**61,768**	**64,620**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

	Unaudited Six months to 30 Sept 24 £'000	Unaudited Six months to 30 Sept 23 £'000	Unaudited Year to 31 Mar 24 £'000
Operating activities			
Profit before taxation	**1,206**	**6,064**	**12,187**
Adjustments for:			
Property, plant and equipment depreciation and impairment	**657**	**1,028**	**2,069**
Right-of-use asset depreciation	**541**	**529**	**1,040**
Amortisation	**1,435**	**1,370**	**2,281**
Loss/ (profit) on disposal of property, plant and equipment	**12**	**-**	**(1)**
Share-based payment expense	**322**	**243**	**803**
Finance costs	**624**	**871**	**1,491**
Decrease in deferred contingent consideration	**-**	**-**	**(21)**
Profit from operations before changes in working capital and provisions	**4,797**	**10,105**	**19,849**
(Increase)/ Decrease in inventories	**(687)**	**5,600**	**8,078**
Decrease/ (Increase) in trade and other receivables	**12,600**	**(887)**	**(12,175)**
Decrease in trade and other payables	**(7,896)**	**(5,709)**	**(1,231)**
Increase/ (Decrease) in provisions	**22**	**-**	**(248)**
Cash generated from operations	**8,836**	**9,109**	**14,273**
Income taxes paid	**(1,601)**	**(858)**	**(3,331)**
Income taxes recovered	**13**	**-**	**9**
Net cash flows from operating activities	**7,248**	**8,251**	**10,951**
Investing activities			
Purchase of property, plant and equipment	**(1,152)**	**(1,040)**	**(1,524)**
Capitalised own costs and purchase of intangible assets	**(486)**	**(252)**	**(1,312)**
Proceeds from sale of property, plant and equipment	**126**	**5**	**161**
Settlement of deferred consideration in respect of prior year acquisitions	**-**	**(5,535)**	**(5,535)**
Net cash flows from investing activities	**(1,512)**	**(6,822)**	**(8,210)**
Financing activities			
Issue of ordinary shares	**-**	**-**	**109**
Repurchase of ordinary shares into treasury	**-**	**-**	**(1)**
Borrowings drawn	**-**	**-**	**2,126**
Borrowings repaid	**(2,757)**	**(2,036)**	**(3,742)**

Borrowings repaid	**(2,757)**	**(2,036)**	**(3,742)**
Payment obligations for right-of-use assets	**(768)**	**(609)**	**(1,230)**
Interest paid	**(571)**	**(726)**	**(1,282)**
Dividends paid to equity shareholders	**(1,649)**	**(1,529)**	**(2,322)**
Transactions with non-controlling interests	**-**	**-**	**(150)**
Net cash flows from financing activities	**(5,745)**	**(4,900)**	**(6,492)**
Decrease in cash and cash equivalents	**(9)**	**(3,471)**	**(3,751)**

	Unaudited as at 30 Sept 24 £'000	Unaudited as at 30 Sept 23 £'000	Audited as at 31 Mar 24 £'000
Translational foreign exchange on opening cash	**(84)**	**59**	**(28)**
Net decrease in cash and cash equivalents	**(9)**	**(3,471)**	**(3,751)**
Net cash and cash equivalents brought forward	**8,445**	**12,224**	**12,224**
Net cash and cash equivalents carried forward	**8,352**	**8,812**	**8,445**

	Unaudited as at 30 Sept 24 £'000	Unaudited as at 30 Sept 23 £'000	Audited as at 31 Mar 24 £'000
Represented by:			
Cash and cash equivalents - available on demand	**8,352**	**8,812**	**8,445**
Cash and cash equivalents - overdraft facility	**-**	**-**	**(2,056)**
Net cash and cash equivalents	**8,352**	**8,812**	**6,389**

NOTES TO THE INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

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 2024, prepared in accordance with UK-adopted International Accounting Standards, have been filed with the Registrar of Companies. The Auditor's 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 2024 have been prepared in accordance with IAS 34, "Interim financial reporting", as contained in UK-adopted International Accounting Standards.

The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2024, 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 2025.

Going concern

In assessing the going concern position of the Group for the Consolidated Financial Statements for the half year ended 30 September 2024, the Directors have considered the Group's cash flows, liquidity and business activities.

At 30 September 2024, the Group has net debt (excluding IFRS16) of £2.0m. At the Half Year the term loans were drawn and the RCF of £7.5m was not drawn. The going concern assessment is not contingent on replacing the existing facilities however the Group is in the process of putting in place a new revolving credit facility expected to be approximately £15m (with an acquisition accordion) which will replace the existing facilities to provide the group a more flexible facility package which will reduce the finance costs while retaining funding headroom.

Based on the Group's forecasts, the Directors have adopted the going concern basis in preparing the Financial Statements. The Directors have made this assessment after consideration of the Group's cash flows and related assumptions and in accordance with the Guidance published by the UK Financial Reporting.

The Directors have taken account of the results to date, current expected demand, and mitigating actions that could be taken, together with an assessment of the liquidity headroom against the cash and bank facilities. The bank facilities are subject to financial covenants; therefore, in evaluating a stressed forecast, the Board only included the RCF in the headroom to the extent it is available within the covenants.

This financial modelling is prepared to 31 March 2026, and has been based on an extension of the reforecast guidance for FY24/25 reflecting the recent trading performance. In light of the recent trading announcement, the Board has significantly sensitised the guidance and as such does not consider further sensitivities are needed to the model. The financial model assumes that revenue, margin and cash profit remain flat for the next twelve months which is well below the expectation as the current year has been tough across all areas of the business.

With no growth built into the Group EBITDA forecast, combined with the mitigating actions that are within the Group's control, the Group would fully comply with covenants and maintain sufficient liquidity to meet its liabilities as they fall due.

The Directors have concluded that the likelihood of a scenario whereby the covenant headroom is exhausted is remote and therefore there are no material uncertainties over the Group and Company's ability to continue as a going concern. Nevertheless, it is acknowledged that there are, potentially, material variations in the forecast level of future financial performance.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 15 months; therefore, it is appropriate to adopt a going concern basis for the preparation of the financial statements. Accordingly, these financial statements do 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 2024, other than as noted below.

Financial instruments

The carrying value of cash, trade and other receivables, other equity instruments, trade and other payables, and borrowings also represent their estimated fair values.

Additional disclosure of the basis of measurement and policies in respect of financial instruments are described on pages 107 to 112 of our 31 March 2024 Annual Report and remain unchanged at 30 September 2024.

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 2024.

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 44 to 47 of our 31 March 2024 Annual Report and remain unchanged at 30 September 2024. Acquisition risk is considered to remain low as the new companies acquired subsequent to the balance sheet date are relatively small.

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

4. Segmental information

	Unaudited Six months to 30 Sept 24 £'000	Unaudited Six months to 30 Sept 23 £'000	Audited Year to 31 Mar 24 £'000
Revenue			
Systems	**34,955**	56,732	103,469
Components	**26,820**	31,393	59,834
Group revenue	**61,775**	88,125	163,303

5. Adjusted profit measures

	Unaudited Six months to 30 Sept 24 £'000	Unaudited Six months to 30 Sept 23 £'000	Audited Year to 31 Mar 24 £'000
Acquisition fair value adjustments, reorganisation and deal costs	88	-	736
Amortisation of acquisition intangibles	903	910	1,819
Share-based payments	322	243	803
Imputed interest on deferred consideration unwind	-	34	34
Current and deferred taxation effect	(270)	(304)	(618)
Movement of deferred tax assets in other comprehensive income	-	65	-
Total adjustments to other comprehensive income	**1,043**	**948**	**2,774**
Gross profit	19,189	27,295	51,827
Adjusted gross profit	19,189	27,295	51,827
Operating profit	1,830	6,935	13,678
Adjusted operating profit	3,143	8,088	17,036
Operating profit margin percentage	3.0%	7.9%	8.4%
Adjusted operating profit margin percentage	5.1%	9.2%	10.4%
Profit before tax	1,206	6,064	12,187
Adjusted profit before tax	2,519	7,251	15,579
Profit after tax	975	4,513	8,906
Adjusted profit after tax	2,018	5,396	11,680
Other comprehensive (loss)/income	(819)	5,100	8,227
Adjusted other comprehensive income	224	6,048	11,001

6. Earnings per share

The earnings per share is based on the following:

	Unaudited Six months to 30 Sept 24 £'000	Unaudited Six months to 30 Sept 23 £'000	Audited Year to 31 Mar 24* £'000
Adjusted earnings post tax attributable to equity holders of the parent	**2,018**	5,385[1]	11,646[2]
Earnings post tax attributable to equity holders of the parent	**975**	4,502	8,872
Weighted average number of shares	**11,388,853**	11,327,000	11,372,709
Diluted weighted average number of shares	**11,564,000**	11,516,279	11,667,041
EPS			
Basic EPS from profit for the period	**8.6p**	39.7p	78.0p
Diluted EPS from profit for the period	**8.4p**	39.1p	76.0p
Adjusted EPS			
Adjusted basic EPS from profit for the period	**17.7p**	47.5p	102.4p
Adjusted diluted EPS from profit for the period	**17.5p**	46.8p	99.8p

[1] Calculated as Adjusted profit after taxation (£5,396k) excluding non-controlling interest loss (£(11)k)
[2] Calculated as Adjusted profit after taxation (£11,680k) excluding non-controlling interest profit (£34k)

*note the FY24 basic EPS and adjusted diluted EPS of 78p and 99.8p will be restated in the FY reporting to be comparable with the post bonus share award to 15.6p and 19.9p respectively.

7. Dividends

Dividends paid during the period from 1 September 2023 to 30 September 2024 were as follows:

29 September 2023	Final dividend year ended 31 March 2023	13.5p per share

16 February 2024	Interim dividend year ended 31 March 2024	7.0p per share
27 September 2024	Final dividend year ended 31 March 2024	14.5p per share

The Directors are intending to pay an interim dividend for the year ending 31 March 2025 on 14 February 2025 of 0.83p per share (4.17p on pre bonus issue like for like basis). This dividend has not been accrued at 30 September 2024.

	Unaudited Six months as at 30 Sept 24 £'000	**Unaudited Six months as at 30 Sept 23 £'000**	**Audited Year as at 31 Mar 24 £'000**
Allotted issued and fully paid			
Ordinary 5p shares	**569**	567	569

8. Share capital

	Unaudited Six months as at 30 Sept 24	**Unaudited Six months as at 30 Sept 23**	**Audited Year as at 31 Mar 24**
Allotted issued and fully paid			
Number of ordinary 5p shares	11,376,644	11,346,394	11,376,644

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.

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

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.
Other reserves	Amounts transferred from share capital on redemption of issued shares. Settlement value with non-controlling interests in excess of net asset carrying value
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 as at 30 Sept 24 £'000	**Unaudited Six months as at 30 Sept 23 £'000**	**Audited Year as at 31 Mar 24 £'000**
Goodwill	28,246	30,051	29,411
Acquisition intangibles	7,411	9,699	8,608
Research and development	1,341	479	1,441
Software	628	629	649
Intangible assets	37,626	40,858	40,109
Property plant and equipment	4,594	4,939	4,229
Right-of-use assets	3,717	1,792	3,586
Deferred tax asset	605	305	605
Total non-current assets	46,542	47,894	48,529

10. Net debt

	Unaudited Six months as at 30 Sept 24 £'000	Unaudited Six months as at 30 Sept 23 £'000	Audited Year as at 31 Mar 24 £'000
Cash and cash equivalents - overdraft	-	-	(2,056)
Bank borrowing due within one year	(7,764)	(1,351)	(1,342)
Bank borrowing due after one year	(2,587)	(11,354)	(9,718)
Total borrowings	(10,351)	(12,705)	(13,116)
Cash and cash equivalents - on demand	8,352	8,812	8,445
Net debt	(1,999)	(3,893)	(4,671)

The Group initially drew down two £6.5m term loans totalling £13.0m. The first tranche is interest only and committed for three years from the 5 August 2022, so is now classified as due within one year. The second tranche is repayable over five years with quarterly repayments. Both tranches bear variable interest based on a margin over base rate.

The Group has increased its revolving credit facility to £10.0m, which is committed to November 2025 and bears variable interest based on a margin over base rate. The Group has a multi-currency overdraft facility of £5.0m.

Lease liabilities are excluded from the Group's definition of net debt and a separate roll-forward of lease liabilities will be presented in the full-year report to the year ending 31 March 2025.

The Group's banking facilities are subject to three financial covenants, being: leverage, debt service and a tangible net worth covenant. These covenants were met at all measurement points throughout the period.

11. Related party transactions

There were no related party transactions to disclose for the period.

12. Post balance sheet events

On 2 October 2024, Solid State plc issued a further 45,506,576 ordinary shares of 5 pence each, representing four new shares for every existing share held by shareholders.

Four Directors exercised share options in October with an additional 198,500 new ordinary shares of 5 pence each issued.

On 2 October 2024 the Group acquired Gateway Electronic Components Limited for an initial consideration on a cash free debt free basis of £1.4m, plus an advanced net cash adjustment of £0.1m. The consideration was funded from the Group's existing cash resources. The Group made an additional final payment in November 2024 of £0.4m after finalisation of the completion accounts. Gateway Electronic Components Limited has joined the Components division of the Group.

On 1st November 2024 Solid State plc acquired Q-Par Antennas USA LLC for a maximum consideration of up to 2.0m. An initial consideration of 0.5m was paid on completion and was funded from the Group's existing cash resources. An additional 0.5m will be paid in the first week of January 2025. A further deferred payment of 0.5m will be paid out in cash over a two-year period. Earn-out consideration up to 0.5m may be payable subject to exceeding certain growth and performance targets. The Q-Par Antennas USA LLC will join the Systems division of the Group.

On 8th November 2024 284,000 share options were awarded under the LTIP and on 7th November 2024 286,000 under the CSOP scheme.

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