

SOLID STATE PLC

5 July 2016

Solid State plc
("Solid State", the "Company" or the "Group")
Preliminary Results for the year ended 31 March 2016

Solid State plc (AIM: SOLI), the AIM listed supplier of specialist industrial/ruggedised computers, electronic components, secure communications systems and battery power solutions to the electronics market, is pleased to announce its Preliminary Results for the year ended 31 March 2016.

Highlights in the year include:

Financial:

	2016	2015	Change
Turnover	£44.10m	£36.56m	+21%
Profit before tax	£4.20m	£3.01m	+40%
Earnings per share (basic)	49.9p	34.9p	+43%
Gross profit margin	31.8%	30.5%	+130bps
Operating margin	9.8%	8.4%	+140bps
Dividend	12.0p	12.0p	-

Operational:

- Settlement of Ministry of Justice (MoJ) contract
- Acquisition of Ginsbury Electronics, a specialist displays business, for £2.11m
- Acquisition of Creasefield Limited, a specialist battery business, for £1.54m (post period end)
- Contract with Renishaw secured for £1m+
- Solid State Supplies wins franchises with Luminus Devices Inc for the LED lighting market and Silicon Labs (low energy microprocessors and radio devices) for IoT applications
- Appointment of Matthew Richards to the Board and as MD of Steatite – bringing considerable experience of the security and defence sectors (post period end)
- Cost saving initiative has delivered circa £250k of net savings in the year
- 31/05/16 Group backlog £17.84m including Creasefield (31/05/15: £14.41m excluding MoJ backlog)

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

"Solid State has made two valuable acquisitions in just over 12 months driving integration and cross selling opportunities between the complementary Group divisions. We are delighted to have reached a quick and satisfactory settlement with the MoJ and can report that the core Group has continued to progress during the year.

"The Board is optimistic about the prospects for Solid State and believes that the track record of delivery and the scale of the Group will prove to be an increasingly important competitive driver in its markets."

Investor Lunch

An investor lunch for Private Client Investment Managers and Private Investors will be held on Wednesday 6 July 2016. Those wishing to attend should contact Tom Cooper on tom.cooper@walbrookpr.com or 0797 122 1972.

For further information please contact:

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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, secure communications systems and electronic components for use in harsh environments.

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

Headquartered in Redditch, Solid State employs over 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.

CHAIRMAN'S STATEMENT

I am pleased to present the results for the year ended 31 March 2016 for Solid State plc.

The news in the year was largely dominated by the events surrounding the offender tagging contract with the MoJ however it is important not to lose sight of the progress that has been made in the core business. We are an acquisitive business, as can be seen not only from our track record over previous periods but more recently by the two acquisitions that we have made since the beginning of the 2015/2016 financial year. The addition of complementary businesses continues to extend the range of products that we can sell to both our existing customer base and prospective new customers.

In addition to driving growth through acquisition, we have improved our penetration of the existing client base and won high profile franchises in the Solid State Supplies business and won new contracts with high profile customers across the Group.

It is evident to us that customers take comfort from the depth of our technical competence and the scale of our operations. Scale necessitates structure, governance, quality standards and disaster recovery procedures which smaller competitors can struggle to match.

Financial Review

Revenue for the year was £44.10m, an increase of 21% (2015: £36.56m). Profit before tax of £4.20m (2015: £3.01m) includes a one-off profit as a result of the settlement of the MoJ contract. These results provide an anomalous comparison to the prior year, and will equally provide an anomalous comparison this time next year when we announce our results for the 2016/2017 year.

Gross profit margin was at 31.8% (2015: 30.5%) and operating margin at 9.8% (2015: 8.4%). Margins benefited from £250k of net cost savings implemented during the year as part of the previously announced cost saving initiative.

Earnings per share were 49.9p (2015: 34.9p). This increase is primarily due to the one-off contribution in the year from the MoJ settlement as described above.

The balance sheet continues to strengthen with net assets increasing to £15.76m (2015: £12.39m).

Net debt at 31 March 2016 was £3.40 million (2015: £2.46m). As at 30 June 2016 the balance sheet shows a net positive balance of £1.06m.

The Group has a natural USD hedge through the trade-off between its USD sales and its USD product sourcing. This is further improved through the acquisition of Creasefield and the USD sales that it brings to the Group, halving our average monthly demand and resulting in a monthly average USD requirement which represents approximately 3% of the Group's cost of sales. This considerably limits the Group's currency risk.

Dividends

The Board is recommending a final dividend of 8p. An interim dividend of 4p per share was paid on 26 February 2016 giving a total dividend for the year of 12p per share (2015: 12p). Dividends were 4.15 times covered in 2016. The final dividend will be paid on 23 September 2016 to shareholders on the register at the close of business on 2 September 2016. The shares will be marked ex-dividend on 1 September 2016.

Business Review

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

The market for the Group's products and services is driven by the need for custom electronic solutions to address complex needs, typically in harsh environments where enhanced durability and resistance to extreme and volatile temperatures is vital. Drivers in our markets include efficiency improvement, cost saving, environmental monitoring and safety.

Divisional Review

The Group operates through two divisions – manufacturing (including Steatite which incorporates the MoJ contract, Batteries and Q-Par as a separate company) and distribution (including Solid State Supplies and Ginsbury electronics).

Steatite

Steatite is one of the leading UK suppliers of specialist electronic equipment for harsh environments and high reliability applications. It designs, manufactures and supplies a range of products and solutions that include bespoke lithium battery packs, rugged mobile computing solutions, secure mesh radio systems, industrial computer hardware and software. Key to its strategy is the ability to design, manufacture and test to customer requirements, and against the most stringent of standards and qualifications.

Steatite has achieved a 1.4% increase in sales year on year excluding the MoJ settlement.

The focus continues on value added and niche activities, whilst additionally introducing products in new and exciting markets such as green energy and security along with fully integrated computer cabinet systems.

We are pleased with the potential for our export sales, principally led by the antenna's business and our new range of radio communication systems which have been enhanced by Steatite with the addition of state of the art features for the markets they serve; predominately the defence and security sectors. We see opportunity for continued growth at home and overseas for this technology and the potential to expand into adjacent markets including broadcasting.

The combination of new product development and new market penetration has delivered organic growth despite more challenging markets in Oil & Gas than we are used to, which has impacted our battery business. This growth has been achieved principally through cross selling initiatives and an increase in sales through the application of innovative processes that save our clients time and money. This is best exemplified by the new train ticketing machines which Steatite was asked to redesign, subject to exacting client specifications, and which are now being deployed in the field.

Post period end, Matthew Richards was appointed to the Board as Managing Director of Steatite. Matthew has considerable senior management experience in both private and public companies, most recently as Senior VP and Managing Director at Nasdaq listed API Technologies Corp, Managing Director for Secure Systems & Technologies Limited and as Business Unit Director at AIM listed Vislink plc for the defence and security sectors.

Steatite has a platform to accelerate growth, underpinned by a strong order backlog. The business will continue to seek product enhancement opportunities and cost efficiencies to maintain margin and profitability.

Ministry of Justice offender tagging contract (MoJ)

Steatite was awarded a contract by the MoJ in July 2014 for an initial three year term worth an estimated £34m for the supply and maintenance of offender tagging technology. This contract was terminated without blame in February 2016 as the Government changed course and began to pursue a commercial off the shelf solution rather than the bespoke device for which they had contracted with Steatite. We were able to agree an exit strategy and compensation package for the work delivered. The settlement agreement is bound by a non-disclosure agreement as is common in these circumstances.

Assuming the receipt of the settlement and the payment of all sub-contractor liabilities in relation to the MoJ contract had taken place on 31 March 2016, the Group would have been in a net cash position of approximately £350,000.

Steatite has been granted a licence to use the intellectual property derived from the development of the technology as part of the contract. The development of tagging devices will continue on a range of devices for applications in the enhanced justice platforms and high end medical sectors which we expect to lead to opportunities in new markets both in the UK and abroad.

Batteries (including Creasefield Limited acquired on 31 May 2016)

The battery business, prior to the acquisition of Creasefield Limited ('Creasefield'), had been largely focussed on the Oil & Gas industries. As has been well reported, these sectors have been under investment pressure due to the crude oil price. The acquisition of Creasefield broadens the industrial focus of the business and allows for a greater share of engineering and production capability.

Additionally, Creasefield brings us battery chemistries (NiMH/NiCd, Alkaline & Lead Acid) and vertical markets that will enable us to build a strong battery business with significant presence in the UK that will be further enhanced when the Oil & Gas market recovers.

Steatite continues to research and develop novel power solutions to increase run times and payloads to support marine autonomous systems, unmanned military systems for mine clearance, countermeasures and asset protection.

We are confident that the ubiquity of batteries as a primary or secondary source of power in most technology applications will allow us the opportunity to considerably expand the supply of bespoke battery products to both the existing Group and prospective customer base.

Q-Par Angus Ltd (Q-Par or Steatite Antennas)

Q-Par is at the forefront of antenna design and manufacture. It excels in the research, design and manufacture of commercial grade and bespoke microwave antennas, subsystems and associated microwave components. Q-Par's performance was held back due to the delay of a major programme with a European aerospace customer that will return during the financial year 2016/17.

Q-Par continues to focus on research and development within key market sectors and providing a service to its network of agents throughout the world. Further investment will be made in the year ahead with new purpose built facilities well underway, along with significant investment in test and measurement facilities that will bring benefits to the whole Group in the later stages of next year.

Solid State Supplies

Solid State Supplies is a distributor of specialist components to the UK electronics OEM community; selling semiconductors, modules and related products for embedded processing, wireless and wired connectivity, displays, power management and LED lighting.

The 2015/16 financial year as a whole saw a strengthening of the key metrics of the business with a positive book to bill ratio and increased backlog going into the 2016/17 financial year. The distribution division ended the year with a greatly improved stock turn. The operating margin improvements made in the previous year were successfully continued throughout the 2015/16 year, achieving 6.6% (2015: 5.2%), with the resulting divisional EBIT ahead of budget.

On 1 April 2015, the Group acquired Ginsbury Electronics, a value added distributor of displays and power products. This acquisition has greatly enhanced the range of products available to the existing customer base of Solid State Supplies and equally the range of embedded products available to the customers of Ginsbury. Cross selling initiatives are now being realised with many customers benefiting from the combined expertise of the two companies. Particular successes have been achieved in the high growth area of electric vehicle charging and in the relatively new market area of on-food printing. The company's technically led approach has enabled these end customers to get to market more rapidly than would otherwise have been possible. During the year the stores at Ginsbury were relocated to the Redditch headquarters with some small savings as a consequence.

The company continues to increase its own-brand offering, to include innovations in LED lighting control and computing. This has been recognised by the industry with a notable success in 2015 being the Ginsbury Genie single board computer winning the Elektra award for "Excellence in design – industrial".

Value added services continue to provide a useful enhancement to gross margin and to the strategic importance of the distribution business to its customer base. This is amply demonstrated by the £1m+ contract won with Renishaw where Solid State Supplies was commissioned to pre-programme components to be supplied directly to the production line, thus saving Renishaw engineering time and additional logistics. Further small investments have taken place in the margin enhancement area allowing the Redditch operation to both further develop its offering and incorporate the value added operations previously carried out at the Ginsbury premises.

The Division was successful in securing additional franchise lines during the year such as the Luminus Devices Inc LED franchise and the Silicon Labs franchise for Internet of Things applications.

The outlook for the business remains strong. The business remains highly respected within the industry, being seen as a leader and an innovator, as evidenced by the winning of the prestigious 'Distributor of the Year Award' at the industry's Elektra awards ceremony.

Divisional Summary

The Divisions 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.

Outlook

Solid State has entered the 2016/2017 financial year with a strong order book and a clear growth strategy. As at 31 May 2016 the order backlog was £17.84m. On a like for like basis, the 2015 order book at 31 May 2015 was £14.41m.

We are working hard on cross selling initiatives across both divisions to better drive organic growth in what are challenging markets. We have a particular focus on our marketing effort and have prioritised an enhanced marketing budget accordingly.

Following the acquisitions of 2001 Electronic Components in December 2013 and Ginsbury Electronics in April 2015 the enlarged distribution division is now in a stronger market position enabling us to secure significant new franchises and expand our product portfolio.

The addition of Creasefield to our manufacturing division means we now have approximately 500 account customers across the Group who spend in excess of £5,000 per year with us, providing a solid base for this initiative which we can build on over the next 12-24 months.

Equally, we have a pipeline of target acquisitions which creates the potential to further develop our portfolio of products and services. Our aim is to acquire at least one such target per year. As is increasingly apparent, customers will extend their component and end product sourcing with trusted suppliers where the opportunity exists, rather than engage with new suppliers who are not yet tried and tested.

As is common across all of the sectors that we monitor, most of our markets lack absolute visibility due to global economic influences, and in the specific case of the UK, the consequences of the recent European referendum. We expect the Oil & Gas market to continue to be slow this fiscal year and next, impacting our component and battery business, however encouragingly we are beginning to see the first green shoots of recovery in this market.

The outcome of the referendum vote and the subsequent process leading to Brexit, is a situation that the Board has monitored closely. The Group sells predominately in Sterling to UK based customers. The products are often intended for international use however the sales channels for Solid State are principally within the UK. As such, the Board expects the impact of Brexit to be limited however the situation will remain under review.

The Board sees the marriage of the characteristics of the Group and the exacting standards of our client base as a key factor driving the future growth of the business. There are relatively few competitors in the market that have the combination of scale, manufacturing accreditations and engineering capability that Solid State can offer.

Tony Frere
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2016

		2016	2015
		£	£
Revenue	Notes 5	44,100,261	36,559,277
Cost of sales		(30,072,494)	(25,395,695)
GROSS PROFIT		14,027,767	11,163,582
Distribution costs		(3,721,849)	(3,400,831)
Administrative expenses		(5,997,690)	(4,700,601)
PROFIT FROM OPERATIONS		4,308,228	3,062,150
Finance costs		(112,082)	(48,411)
PROFIT BEFORE TAXATION		4,196,146	3,013,739
Tax expense	6	(27,819)	(122,032)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		4,168,327	2,891,707
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,168,327	2,891,707
EARNINGS PER SHARE			
Basic	3	49.9p	34.9p
Diluted	3	49.2p	33.9p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2016

	Share Capital	Share Premium Reserve	Capital Redemption Reserve	Retained Earnings	Shares held in Treasury	Total
Balance at 31st March 2014	411,536	3,628,748	4,674	6,362,145	-	10,407,103
Total comprehensive income for the year ended 31st March 2015	-	-	-	2,891,707	-	2,891,707
Issue of new shares	5,044	-	-	-	-	5,044
Share based payment expense	-	-	-	210,653	-	210,653
Dividends	-	-	-	(810,400)	-	(810,400)
Repurchase of own shares into treasury	-	-	-	-	(313,073)	(313,073)
Balance at 31st March 2015	<u>416,580</u>	<u>3,628,748</u>	<u>4,674</u>	<u>8,654,105</u>	<u>(313,073)</u>	<u>12,391,034</u>
Total comprehensive income For the year ended 31st March 2016	-	-	-	4,168,327	-	4,168,327
Issue of new shares	4,521	-	-	-	-	4,521
Share based payment expense	-	-	-	173,578	-	173,578
Dividends	-	-	-	(1,004,622)	-	(1,004,622)
Transfer of shares to All Employee Share Ownership Plan	-	-	-	-	31,704	31,704
Balance at 31st March 2016	<u>421,101</u>	<u>3,628,748</u>	<u>4,674</u>	<u>11,991,388</u>	<u>(281,369)</u>	<u>15,764,542</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31st March 2016

	2016		2015	
	£	£	£	£
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		1,365,559		1,243,011
Intangible assets		5,282,727		5,400,293
TOTAL NON-CURRENT ASSETS		<u>6,648,286</u>		<u>6,643,304</u>
CURRENT ASSETS				
Inventories	5,534,255		5,401,562	
Trade and other receivables	13,465,189		8,873,647	
Corporation tax receivable	-		129,442	
Cash and cash equivalents	993,821		1,737,523	
TOTAL CURRENT ASSETS		<u>19,993,265</u>		<u>16,142,174</u>
TOTAL ASSETS		<u>26,641,551</u>		<u>22,785,478</u>
LIABILITIES				
CURRENT LIABILITIES				
Bank overdraft	4,398,200		4,200,997	
Trade and other payables	6,024,265		5,833,520	
Corporation tax liabilities	164,556		4,875	
TOTAL CURRENT LIABILITIES		<u>10,587,021</u>		<u>10,039,392</u>
NON CURRENT LIABILITIES				
Trade and other payables	5,443		8,516	
Deferred tax liability	284,545		346,536	
		<u>289,988</u>		<u>355,052</u>
TOTAL LIABILITIES		<u>10,877,009</u>		<u>10,394,444</u>
TOTAL NET ASSETS		<u>15,764,542</u>		<u>12,391,034</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Share capital		421,101		416,580
Share premium reserve		3,628,748		3,628,748
Capital redemption reserve		4,674		4,674
Retained earnings		11,991,388		8,654,105
Shares held in treasury		(281,369)		(313,073)
TOTAL EQUITY		<u>15,764,542</u>		<u>12,391,034</u>

CONSOLIDATED STATEMENT OF CASH FLOWS
at 31st March 2016

	2016		2015	
	£	£	£	£
OPERATING ACTIVITIES				
Profit before taxation		4,196,146		3,013,739
Adjustments for:				
Depreciation		406,395		297,617
Amortisation		225,057		195,958
Impairments		618,167		-
Loss on disposal of property, plant and equipment		1,967		5,676
Share based payment expense		173,578		210,653
Finance costs		112,082		48,411
Other		31,704		-
		<hr/>		<hr/>
Profit from operations before changes in working capital and provisions		5,765,096		3,772,054
Decrease/(increase) in inventories	161,633		(826,972)	
(Increase)/decrease in trade and other receivables	(3,663,357)		1,564,512	
Decrease in trade and other payables	(467,788)		(1,659,225)	
Decrease in provisions	-		(170,000)	
		<hr/>		<hr/>
		(3,969,512)		(1,091,685)
Cash generated from operations		<hr/>		<hr/>
		1,795,584		2,680,369
Income taxes paid	(102,124)		(522,143)	
Income taxes recovered	128,342		45,785	
		<hr/>		<hr/>
		26,218		(476,358)
Cash flow from operating activities		<hr/>		<hr/>
		1,821,802		2,204,011
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(900,036)		(524,918)	
Purchase of intangible assets	(36,109)		(660,751)	
Proceeds of sales from property, plant and equipment	55,288		38,100	
Consideration paid on acquisition of subsidiaries	(1,760,461)		-	
Cash with subsidiaries over which control has been obtained	977,005		-	
		<hr/>		<hr/>
		(1,664,313)		(1,147,569)
		<hr/>		<hr/>
		157,489		1,056,442
FINANCING ACTIVITIES				
Issue of ordinary shares	4,521		5,044	
Invoice discounting finance (net movement)	-		(1,143,758)	

Interest paid	(112,082)	(48,411)
Dividend paid to equity shareholders	(990,832)	(810,400)
Purchase of own shares for holding in treasury	-	(313,073)
	<hr/>	<hr/>
	(1,098,393)	(2,310,598)
	<hr/>	<hr/>
	(940,904)	(1,254,156)
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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March 2016 (continued)

Cash and cash equivalents comprise:

	2016	2015
	£	£
Net decrease in cash and cash equivalents	(940,904)	(1,254,156)
Cash and cash equivalents at beginning of year	(2,463,474)	(1,209,318)
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Cash and cash equivalents at end of year	(3,404,378)	(2,463,474)
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There were no significant non-cash transactions

	2016	2015
	£	£
Cash available on demand	993,821	1,737,523
Overdrafts	(4,398,200)	(4,200,997)
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	(3,404,378)	(2,463,474)
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2016

1. The financial information for the year ended 31 March 2016 does not constitute statutory accounts as defined in section 435 (1) and (2) of the Companies Act 2006. Statutory accounts for the year ended 31 March 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered to the Registrar of Companies shortly. The auditors have reported on these accounts; their reports were unqualified, did not include a reference to any matter to which the auditors drew attention by way of emphasis of matter and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Whilst this preliminary announcement has been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations adopted for use by the European Union, with those parts of the Companies Act 2006 applicable to companies reporting under these condensed financial statements do not contain sufficient information to comply with IFRS.

2. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS

The financial information in this preliminary announcement has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The principal accounting policies used in preparing the preliminary announcement are those the Group will apply in its financial statement for the year ended 31 March 2016 and are unchanged from those disclosed in the Group's Report and Financial Statements for the year ended 31 March 2015.

3. EARNINGS PER SHARE

The earnings per share is based on the following:

	2016 £	2015 £
Earnings post tax	4,168,327	2,891,707
Weighted average number of shares	8,345,406	8,296,504
Diluted number of shares	8,474,536	8,542,212
Earnings per share	49.9p	34.9p
Diluted earnings per share	49.2p	33.9p

Earnings per ordinary share has been calculated using the weighted average number of shares in issue during the year. The weighted average number of equity shares in issue was 8,345,406 (2015: 8,296,504).

The diluted earnings per share is based on 8,474,536 (2015: 8,542,212) ordinary shares which allow for the exercise of all dilutive potential ordinary shares.

4. DIVIDENDS

	2016 £	2015 £
Final dividend paid for the prior year of 8p per share (2015: 5.75p)	673,761	479,067
Interim dividend paid of 4p per share (2015: 4p)	336,881	333,264
Cancelled dividends on shares held in treasury	(5,065)	(1,931)
	<hr/> 1,004,622	<hr/> 810,400
	<hr/>	<hr/>
Final dividend proposed for the year 8p per share (2015: 8p)	670,400	662,667
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The proposed final dividend has not been accrued for as the dividend will be approved by the shareholders at the annual general meeting

5. SEGMENT INFORMATION

The Group's primary reporting format for segment information is business segments which reflect the management reporting structure in the Group. The distribution division comprises Solid State Supplies Limited and Ginsbury Electronics Limited and the manufacturing division includes Steatite Limited and Q-Par Angus Limited.

	Distribution division £	Manufacturing division £	Head office £	Total £
External Revenue	16,628,104	27,472,157	-	44,100,261
	<hr/>	<hr/>	<hr/>	<hr/>
Profit/(loss) before tax	1,187,415	4,111,626	(1,102,895)	4,196,146
Tax expense	232,439	152,864	(357,484)	27,819
	<hr/>	<hr/>	<hr/>	<hr/>
Balance sheet				
Assets	11,727,936	18,819,343	(3,905,728)	26,641,551
Liabilities	6,114,514	6,010,812	(1,248,317)	10,877,009
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets/(liabilities)	5,613,422	12,808,531	(2,657,411)	15,764,542
	<hr/>	<hr/>	<hr/>	<hr/>
Other				
Capital expenditure				
- Tangible fixed assets	295,230	329,729	-	624,959
- Intangible fixed assets	17,623	18,486	-	36,109
Depreciation, amortisation and other non-cash expenses	299,506	950,116	173,578	1,423,200
Interest paid	2,627	109,454	-	112,082
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During the year ended 31 March 2016, greater than 10% of the group's turnover was derived from one customer within the Manufacturing division.

5. SEGMENT INFORMATION (continued)

Year ended 31st March 2015

	Distribution division £	Manufacturing division £	Head office £	Total £
Revenue				
External	13,806,946	22,752,331	-	36,559,277
Profit/(loss) before tax	660,961	3,388,357	(1,035,579)	3,013,739
Tax expense	140,362	286,590	(304,920)	122,032
Balance sheet				
Assets	7,994,948	13,162,179	1,628,351	22,785,478
Liabilities	2,103,530	3,734,756	4,556,158	10,394,444
Net assets/(liabilities)	5,891,418	9,427,423	(2,927,807)	12,391,034
Other				
Capital expenditure				
- Tangible fixed assets	179,958	344,960	-	524,918
- Intangible fixed assets	81,693	579,058	-	660,751
Depreciation, amortisation and other non cash expenses	208,087	285,488	210,653	704,228
Interest paid	12,827	35,584	-	48,411

	External revenue by location of customer		Total assets by location of assets		Net tangible capital expenditure by location of assets	
	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £
United Kingdom	37,569,583	32,267,416	26,641,551	22,785,478	624,959	524,918
Rest of Europe	3,267,264	2,733,195	-	-	-	-
Asia	845,293	849,410	-	-	-	-
North America	2,242,874	577,458	-	-	-	-
Other	175,247	131,798	-	-	-	-
	44,100,261	36,559,277	26,641,551	22,785,478	624,959	524,918

All the above relate to continuing operations.

6. TAX EXPENSE

	2016 £	2015 £
Current tax expense		
UK corporation tax on profits or losses for the year	164,556	4,875
Adjustment in respect of prior periods	64	(5,295)
	<hr/> 164,620	<hr/> (420)
Deferred tax (credit) / charge	<hr/> (136,801)	<hr/> 122,452
Total tax charge	<hr/> 27,819	<hr/> 122,032

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

	2016 £	2015 £
Profit before tax	4,196,146	3,013,739
	<hr/>	<hr/>
Expected tax charge based on the standard rate of corporation tax in the UK of 20% (2015 – 21%)	839,229	632,885
Effect of:		
Expenses not deductible for tax purposes	52,373	64,245
Deductible expenses not charged in Group accounts	(6,892)	(7,237)
Difference between depreciation for the year and capital allowances	17,720	(5,773)
Tax relief on exercise of share options at less than market value	(158,577)	(125,525)
Enhanced relief on research and development expenditure	(673,691)	(429,877)
Deferred tax credit arising on change of tax rate	(18,405)	(5,203)
Adjustment to provision in prior year	(3,940)	(853)
Other	(19,998)	(630)
Total tax charge	<hr/> 27,819	<hr/> 122,032

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