SOLID STATE PLC

4 July 2017

Solid State plc
("Solid State", the "Company" or the "Group")
Final Results for the year ended 31 March 2017

Solid State plc (AIM: SOLI), the AIM listed supplier of specialist industrial/ruggedised computers, electronic components, advanced antenna products, communications systems and battery power solutions to the electronics market, is pleased to announce its Final Results for the year ended 31 March 2017.

Highlights in the period include:

Financial: underlying continuing operations shown to reflect the exclusion of the discontinued activities of MoJ and SEMS business unit – refer to note 7 and 8

	2017	**2016**	**Change**
Revenue from continuing operations	£40.0m	£36.8m	+9%
Adjusted profit before tax	£3.1m	£2.9m	+6%
Adjusted diluted Earnings per share (note 3)	32.0p	31.3p	+2%
Adjusted gross profit margin	30.5%	31.1%	-60bps
Adjusted operating margin	7.9%	8.3%	-40bps
Dividend	12.0p	12.0p	-

Reported revenue and profit after tax for 2017 were – revenue of £40.02m and profit after tax of £1.85m.

Operational:

- Acquisition of Creasefield Limited, a specialist battery business for £1.6m
- A number of significant new product launches in the Manufacturing Division
- Group export sales in the financial year ended 31 March 2017 of 20% of revenue (2016: 15%)
- Appointment of Matthew Richards to the Board as MD of Steatite – bringing considerable experience of the security and defence sectors
- Appointment of Peter James to the Board as Group Finance Director – 4 years with IQE plc and prior to this 11 years with PwC
- Strengthening of sales teams across the Group to drive organic growth
- Creation of sourcing and obsolescence team in the Distribution Division
- Successful relocation of the Redditch battery operation to Creasefield facility in Crewkerne, Somerset, creating a battery centre of excellence
- Opening of new state of the art antenna development, manufacturing and test facility in Leominster, Herefordshire
- Record Group open order book as at 31 May 2017 of £20.67m (31 May 2016: £17.84m) up 16%, of which £14.38m is due for delivery in this financial year

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

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

"The year has been very productive in laying the foundations for the future growth of the Group. Our ambition is to double the size of the business over the next 5 years through a combination of organic and acquisitive growth.

"Activity levels are encouraging across both divisions. Leading edge indicators which include our open order book, which is at a record £20.67m and up 16% on the comparable period last year, our book to bill ratio, and our 1st quarter order intake, give the Board confidence in the prospects for Solid State."

Investor Lunch

An investor lunch for Private Client Investment Managers and Private Investors will be held on Tuesday 11 July 2017 at St Pauls, London. 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, communications systems, advanced antenna products and electronic components for use in harsh environments.

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

Headquartered in Redditch, Solid State employs over 200 staff across five sites. Solid State operates two main divisions: Manufacturing and Distribution.

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

CHAIRMAN'S STATEMENT

Overview of the year:

The financial year ended 31 March 2017 represents a year of strategic investment to lay the foundations for the future growth of the Group. We made tangible progress in the year by completing our re-organisation plan and progressing our strategic goals through; successfully completing the acquisition and integration of Creasefield Limited; discontinuing the Steatite Electronic Monitoring Systems (SEMS) business unit; appointing two new executive directors; investing in the sales and marketing team; establishing our component sourcing and obsolescence team in our Distribution Division; and completing a significant capital investment programme at our new secure communications facility in Leominster, Herefordshire.

Financial overview

Group revenue from continuing operations of £40.0m was up 8.7% on the prior year £36.8m. The revenue delays we have faced on a number of the antenna projects have more than been offset by the additional batteries revenue from the Creasefield acquisition.

The Group's adjusted gross margin of 30.5% has seen a marginal reduction of 0.6% compared to the 2016 margin of 31.1%. This reduction reflects the impact of the changing mix of sales combined with the additional Creasefield sales, which are typically lower than the average margins for the Manufacturing Division.

Adjusted operating profit from continuing operations of £3.2m has increased £0.1m from £3.1m in 2016. This translates in to fully diluted adjusted earnings per share from continuing operations of 32.0p (2016: 31.3p).

The Group balance sheet shows net assets of £16.6m (2016: £15.8m) and net cash of £0.9m (2016: leverage £3.8m). This balance sheet position puts the Group in a strong position to make further strategic acquisitions and to generate organic growth.

Solid State celebrated its 21st anniversary on AIM in June of this year. It has paid a dividend in each of those years which is a record that the Group is very proud of. Continuing in that vein, the Board is recommending a final dividend of 8p which added to the interim dividend of 4p per share paid on 20 January 2017 gives a total dividend for the year of 12p per share (2016: 12p). Dividends were 2.25 times covered in 2017 based on profit from continuing operations. The final dividend will be paid on 22 September 2017 to shareholders on the register at the close of business on 1 September 2017. The shares will be marked ex-dividend on 31 August 2017.

Following a review of dividend policy and benchmarking against our peer group, in particular with a view to dividend cover, the Board has agreed a new policy whereby it will target a dividend cover between 2.5 – 2.75 times adjusted earnings in future periods.

Senior management and corporate governance

As a Board we were conscious of the need to evolve and develop the knowledge, experience and balance of skills within the executive team, therefore at the beginning of the year, we appointed Matthew Richards as Managing Director of the Manufacturing Division. Matthew brings a wealth of commercial and sales experience with a background in the security and defence sectors. Towards the end of the year Peter James joined the Board as Group Finance Director. Peter spent the last 4 years with IQE plc and prior to this 11 years with PwC. Over his career to date, he has gained a broad base of financial experience both in practice and industry, including transactions, commercial contract negotiations and public company reporting which will bring a fresh and different perspective to our Board.

Our mission and strategy to deliver growth

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

Our strategy to deliver this has three key elements:

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

Strategic milestones achieved in 2016/2017

Notable milestones achieved in 2016/2017 to advance our strategy include:

- The acquisition of Creasefield Limited to achieve critical mass in our batteries business unit and create a centre of excellence for batteries in Crewkerne;
- The investment of circa £1m in our communications business unit to create a facility that has antenna manufacturing and test capability that only a handful of operations in the country can offer;
- The recruitment of industry experts to establish a sourcing and obsolescence team;
- The expansion of the field sales force for the Distribution Division;
- The appointment of two senior Executives on the Board; and
- The closure of our SEMS business unit within the Manufacturing Division.

The Chief Executive's strategic report provides further details on these milestones and the progress we have made in executing our strategy.

Opportunities and prospects for 2017/2018

The Group is well positioned for growth across well diversified revenue streams.

Applications in harsh environments for new battery chemistries such as lithium sulphur is an example of the exciting opportunities which we are now well placed to service in coming years as a major provider of battery solutions. The acquisition of Creasefield and creation of a centre of excellence for batteries was timely given the recovery of the Oil & Gas market after a period of contraction.

The expansion of our added value services in our component distribution division, and in particular the formation of our component sourcing and obsolescence team, will bring a brand new source of recurring revenue to the Group.

The additional capacity and improved capability at our new Leominster facility enables us to stay at the forefront of the antenna market where our team's value and technical knowledge is now matched by our manufacturing and testing capabilities. This positions the Group's communications business unit to build its market share.

Brexit negotiations present a level of risk and uncertainty to the business environment in which we operate. However, our breadth of technical knowledge, service levels from our specialist sales teams, scale of our operations, structure, strong balance sheet, governance, quality standards and disaster recovery programmes mean the Board believes the Group is well positioned to respond quickly to the challenges and opportunities that lie ahead as the UK negotiates its exit from the EU. The Board believes that the Group's diversified structure gives it resilience, and places it in a far stronger position than our smaller unlisted competitors within our customers' supply chains.

We made our last acquisition in May 2016 and our target is to make one acquisition per year. With a good pipeline of opportunities across both divisions, our focus moving forward is to develop greater depth in each business unit.

The Board is encouraged by new order intake during the first two months of our new fiscal year, giving the Board confidence that the Group remains on track to deliver in-line with market expectations. The Group open order book at 31 May 2017 stood at a record £20.67m (31 May 2016: £17.84m) up 16% on the prior year, with £14.38m being due for delivery between 1 June 2017 and 31 March 2018. The balance of £6.29m is deliverable beyond 1 April 2018.

Finally, on behalf of the Board, I would like to acknowledge the significant contribution of our staff in achieving Solid State's continued progress and thank them accordingly. Ours is, in large part, a people business which relies on the dedication of our colleagues across the Group; this is acknowledged and appreciated.

A B Frere
Chairman

CHIEF EXECUTIVE'S REPORT

Introduction to Solid State plc

The two divisions of the Solid State Group have distinct characteristics in their market places, however they have a common mission, a clear delivery strategy, and consistent business values. Across the Group our depth of understanding and a collaborative approach to client relationships have always promoted an integrated process of product design and supply often resulting in a trusted adviser relationship.

This degree of co-operation is appreciated by our clients and we believe it is of significant commercial value both to us and our customers. The Group will continue to pursue this approach and 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 over time improved operating margins through the delivery of operational efficiencies, scale and distribution.

The Group is focussed on the supply and support of specialist electronics equipment through its Distribution and Manufacturing Divisions described below.

The Distribution Division is a market leader in delivering innovative, value added, technical solutions for customers seeking specialist electronic components and displays.

The Manufacturing Division is a market leader in the design, development and supply of high specification rugged and industrial computers, tailor made battery packs providing portable power and energy storage solutions, advanced communication systems, antennas and high bandwidth video transmission products.

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 humidity, temperature, pressure and wind is vital. The drivers of value in our markets include safety, technical performance, efficiency improvements, cost savings, and environmental monitoring.

Distribution Division

The Group's Distribution Division, is a focused distributor serving the needs of the electronics original equipment manufacturer community in the UK, principally from its base in Redditch.

The Distribution Division represents a modest number of suppliers who manufacture semiconductors, related electronic components and modules. The Distribution Division seeks to understand these products in depth and to offer outstanding levels of commercial and technical support to its customers.

The products offered include those for the I.O.T (internet of things), embedded processing, control, wireless and wired communications, power management, and LED lighting from globally recognised manufacturers.

The Division has particular expertise in high-reliability components for military and aerospace applications. The Division's Quality Management System is accredited to the International Aerospace standard AS9120.

During the year the Group invested in the establishment of a component sourcing and obsolescence team. The Distribution Division also offers value added services for customers who require their programmes pre-loaded onto hardware or their products prepared to go direct to the production line. All of these services are carried out in our bespoke electrostatic discharge facility in line with our AS9100 certification, which is an offering many of our competitors are unable to provide.

Our Distribution Division understands the need to provide the highest level of service to its customers and has a clear focus on supporting the electronic design community.

Manufacturing Division – including Rugged and Industrial Computers, Batteries and Communications business units

Our Manufacturing Division, operates across three sites at Redditch, Crewkerne and Leominster. It is a market leader in the design, development and supply of rugged and industrial computers, portable power and energy storage solutions, advanced communication systems, antennas and high bandwidth video transmission products.

The Division has consolidated battery production in Crewkerne, Somerset, with resulting efficiencies, allowing the Redditch facility to focus on the delivery of computer and radio products. The Leominster facility, in Herefordshire, houses the antenna design, production and test facilities. The recently commissioned near field antenna test chamber will support in house development in addition to being made available to third parties looking to utilise the state of the art chamber on a chargeable basis. Our environmental chamber and vibration testing capabilities, both already owned by the Group, will be commissioned in FY 2017/18 to provide testing services which can be utilised across the Group.

All three facilities are cleared by the UK Government to allow secure work. Personnel hold individual security clearance as required.

Rugged and Industrial Computer business unit

The rugged and industrial computer business unit serves a wide range of markets including Industrial, Military, Transportation and Broadcasting. Success has been achieved through specialisation in industrial computer design and integration, custom chassis builds, production, test and certification and customisation of Windows Embedded I.O.T and related software products.

Our product offering has been extended to computers and displays, time and positioning solutions, motherboards and modules and test and measurement solutions. Our capabilities extend from the provision of single board computer modules to turnkey integrated systems with significant value added in the production stages at the Redditch facility.

The business unit has strong and long standing commercial relationships directly with key suppliers in Asia and the USA. Additional sales resources and sustained digital marketing initiatives are leading to increased demand from diverse markets.

Batteries business unit

The batteries business unit, which provides portable power and energy storage solutions, has seen significant growth following a recovery in the Oil and Gas market sector, where the batteries business unit produces power solutions for pipeline inspection gauges.

The batteries business unit has over 30 years' experience in the supply of batteries into some of the world's most demanding environments. In addition to the Oil and Gas sector, our battery packs are used in a range of sectors including: Military and Security, Aerospace, Environmental and Oceanographic, Medical and Industrial OEM.

We provide battery packs assembly and build, control electronic design, and advanced battery testing. From initial design through qualification and United Nations testing, production, support and disposal at end of life, the business unit is well positioned to respond to an increasing demand for mobile and static power solutions where there is a specific requirement for high reliability, harsh environment and, above all else, safe systems.

Communications business unit

Within the communications business unit the Group provides advanced ultra-wide band antenna systems addressing demand from a worldwide customer base. Our antennas are utilised in a range of applications including electronic warfare, meteorological sensors and test and measurement applications. With over 40 years of experience, the business unit is at the forefront of antenna design and manufacture.

The brand new purpose built 18,000 sq ft facility includes the world class near-field test chamber that will set the business apart from competitors and allow the business unit to remain as the preeminent provider of ultra wideband/high power solutions. Focus is now being given to opportunities for repeat business and scaling the unit for growth with additional sales and engineering resources.

The business unit provides custom solutions that include bespoke antenna design from the Leominster facility, advanced high bandwidth radios including related peripheral technology from the Redditch facility and domain knowledge from the in-house product support team with direct end user experience.

Divisional Business review

Distribution Division

The financial year ended 31 March 2017 saw an improvement in several key metrics for the Distribution Division.

Stock turns of 5.15 against an industry average of 2.6 (Source ECSN-March 2017) giving rise to consequent benefits in working capital requirements.

The Distribution Division’s company’s “book to bill” ratio returned to greater than 1 at the year-end with significant further improvements being seen in the book to bill ratio during April 2017. This is a further demonstration of improving order intake and prospects for the division.

The Distribution Division saw billings of £16.5m consistent with 2015/16. Efforts to improve the margins on material were successful, showing an improvement of more than 1 percentage point despite downward pressure caused by the falling Pound vs the USD.

With investment in human resource designed to accelerate growth in FY2017/18 overall profit before tax was broadly flat. During 2016/17 the division recruited experts in the area of sourcing and obsolescence to form the Solid State SOS (sourcing and obsolescence services) team. This provides a new revenue stream for the division and Group, both through obsolescent component sales and through ongoing long term secure storage recurring revenues. To support this activity the division successfully extended its AS9120 accreditation to include the Rochester facility and counterfeit avoidance processes.

The division also invested heavily in its technical field sales team increasing the field based resource by approximately 25% to give greater account coverage, improved service and to take advantage of the cross-selling opportunities within the Group, particularly with regard to battery packs following the Group’s acquisition of Creasefield.

The outlook for the financial year ending 31 March 2018 is strong with the Electronic Component Supply Network (ECSN) reporting that early indications suggest that the upper limit of the industry wide growth forecast of 4.3% may be understated. Our Distribution Division is now well positioned to exceed this industry wide forecast and has seen a strong start to the first quarter with record order intake across the first two months.

Manufacturing Division – including Rugged and Industrial Computers, Batteries and Communications business units

Manufacturing saw billings from continuing operations increase by 16.3% from £20.2m to £23.5m. The Creasefield acquisition added £4.2m of revenue which more than mitigated for delays in a number of antenna contracts seen in our communications business. The discontinued SEMS business unit contributed £7.3m of revenue in the prior year which has not recurred as a result of the termination of this business unit.

Further details of the financial performance are set out in the financial review.

Rugged and Industrial Computers business unit

The computer business unit has also geared up with additional sales resource in the second half of 2016, responding to increased demand as a result of directed marketing efforts including advanced use of Search Engine Optimisation (SEO) and Google Adwords. Key supplier relationships remain in place with the addition of the co-operation with ADLINK, a technology-leading provider of computer platforms for high end applications.

Batteries business unit

The Creasefield battery business based in Crewkerne, Somerset, was acquired on 31 May 2016, complementing the existing battery business unit.

This has resulted in an extension of market reach, with a customer base extending beyond the Oil and Gas sector to include Medical, Aerospace, Utilities and Defence/Security sectors.

The Crewkerne facility has brought increased capacity, technical resources and long standing supplier relationships. In addition it has brought exposure to new battery chemistries (NiMH/NiCd, Alkaline & Lead Acid) and charging technologies, significantly adding to the capacity and capability of our batteries business unit and putting us at the forefront of battery power storage solutions.

As part of the acquisition integration plan we transferred our battery business unit in Redditch into the Crewkerne facility, incurring £0.2m of one off non-recurring costs. This year the acquisition added £4.2m to Group revenue and £0.02m to net profit. Margins at Creasefield are typically lower than the other business units of the Manufacturing Division albeit this is an area of focus for improvement.

2016/2017 saw a demonstrable recovery of the Oil and Gas sector with strong battery bookings from customers in this sector in the final quarter. The recovery appears to be driven by the recovery of oil prices since the beginning of 2016 and the associated oil exploration. Strong orders were received in the latter part of 2016 as prime contractors rebuilt stock levels.

Communications business unit

The antenna manufacturing was relocated to a world class purpose built facility in Leominster, Herefordshire, in January 2017, after a capital investment of circa £1m. The major investment within this business unit has been in a state of the art nearfield antenna test chamber, which has been commissioned and put into service. The new facility is able to design, manufacture and test complex systems and is large enough to accommodate antennas with a dish diameter of up to 3 meters. This investment enables the Group to remain at the cutting edge of antenna design, manufacture and testing. In addition, environmental testing facilities have been relocated to the site and will be commissioned in 2017, alongside vibration testing facilities for use across the Group.

Investment has continued with the addition of technical and commercial staff. The business unit is resourced and poised for growth. Particular emphasis has been paid to opportunities for repeat business and medium volume production.

Steatite has won the Persistent Systems franchise for distribution of the secure wave relay mesh network mobile, providing HD video and voice in the most severe environments. Steatite is the only UK authorised supplier of the product and has secured contracts to supply radio systems to the

Ministry of Defence (MOD) both directly and via prime contractors. An important export order for the mesh radio solution was secured in the Asia Pacific region with strong potential for additional systems.

A long standing relationship with the provider of an advanced satellite communications system has secured on-going business with the MOD for maritime applications both surface and underwater.

Discontinued operations

On commercial grounds the Group made the decision to close the self-funded Steatite Electronic Monitoring Systems (SEMS) business unit in the latter part of the year, allowing the Manufacturing Division to focus on its core activities.

Following the termination of the MOJ contract, the Board had decided it was appropriate to explore if the Group could commercialise the intellectual property the Group had developed as part of the MOJ contract. During 2016 we continued to explore if the Group could successfully commercialise the SEMS solution however, at the end of the 2016/17 financial year, the Board took the decision that returns would not be sufficient to warrant continued investment and development in the SEMS market.

The details of the discontinued operations are set out in note 8.

FINANCIAL REVIEW

In order to provide a fuller understanding of the Group's on-going underlying performance, we have included a number of adjusted profit measures as supplementary information. As detailed in note 7, the adjusted measures eliminate the impact of certain non-cash charges and non-recurring items.

Revenues

Group revenues from continuing operations of £40.0m were up 8.7% on the prior year (£36.8m).

The Distribution Division reported stable revenue of £16.5m (2016: £16.6m).

Revenue from continuing operations in the Manufacturing Division of £23.5m was up 16.3% on prior year of £20.2m.

Excluding revenues from Creasefield, like for like manufacturing revenues from continuing operations of £19.4m were £0.8m lower than prior year at £20.2m. The shortfall primarily reflects reported delays in a number of antenna contracts in our communications business unit.

Following the Creasefield acquisition, the Manufacturing Division has substantially completed the consolidation of its batteries business into the Crewkerne facility. Creasefield contributed revenue of £4.2m in the ten months post acquisition.

As a result of the acquisition and re-organisation of our Manufacturing Division we have incurred one off costs of £0.2m which have been presented in our adjusted performance metrics.

There were no revenues in the current year from the discontinued operations, however in the prior year they contributed revenues of £7.3m. The discontinued operations resulted in a loss of £0.4m in the current year compared to a profit of £1.9m in the prior year.

Adjusted gross profit margin percentage

Adjusted gross margin from continuing operations of 30.5% has seen a reduction of 0.6% compared to the 2016 margin of 31.1%.

The reduction reflects the impact of the changing mix of sales with the additional inclusion of Creasefield sales which are typically at lower than the average margin for the Manufacturing Division. Higher margin areas which include obsolescence sourcing and antennas are expected to enhance Group margins going forward as these product areas develop.

Distribution gross margins have been maintained at 26.1% (2016: 26.1%) in the face of margin pressure and adverse foreign exchange. This reflects continued investment and development of our added value service to mitigate this margin pressure.

Adjusted manufacturing gross margins of 33.5% (2016: 35.3%) have reduced as a result of the acquisition of Creasefield which delivered a margin of 23.6%. Like for like adjusted continuing manufacturing gross margins in the year of 35.7% reflect a small improvement compared to 35.3% in 2016.

Group reported gross margin from continuing operations at 30.1% was down 1.0% on the comparative period of 31.1%.

Adjusted sales and general administration expenses

Adjusted sales and general administration expenses from continuing operations of £9.0m have increased by £0.6m from £8.4m in 2016. This increase primarily reflects the additional overhead from Creasefield of £0.8m.

Commencing in the fourth quarter of the year, the Distribution Division started investing in additional sales resources in order to deliver the targeted organic growth in 2017/18. This expenditure has an annualised cost of circa £0.25m which for the reported year has resulted in the Distribution Division's adjusted sales and general administration expenses increasing from £3.15m to £3.2m.

The Manufacturing Division's adjusted sales and general administration expenses have increased to £5.0m from £4.5m. This reflects an increase of £0.8m as a result of the Creasefield acquisition which is offset in part by small like for like reduction of £0.3m.

Adjusted Head Office sales and general administration costs have remained broadly flat at £0.8m.

Reported sales and general administration costs from continuing operations of £9.3m were £0.5m higher than 2016 at £8.8m.

Within sales, general and administrative expenses adjusted depreciation and amortisation from continuing operations has increased to £0.6m from £0.4m primarily as a result of additional amortisation of capitalised R&D of £0.1m.

Reported depreciation and amortisation from continuing operations in the year was £0.8m which is up £0.2m from £0.6m in 2016.

There were impairments of £0.6m charged in the prior year associated with the discontinued operations.

Adjusted operating profit

Adjusted operating profit from continuing operations of £3.2m has increased £0.1m from £3.1m in 2016.

Reported operating profit from continuing operations is flat at £2.7m in both years.

The adjustments to operating profit are set out in further detail in note 7 and 8.

Earnings per share

Adjusted fully diluted earnings per share from continuing operations in the year ended 31 March 2017 have increased to 32.0p from 31.3p in the year ended 31 March 2016.

Reported fully diluted earnings per share from continuing operations have remained flat at 27.2p.

Cash inflow from operations

Cash inflow from continuing operations in 2017 of £5.8m is up from £3.5m in 2016 primarily due to a cash inflow of circa £2.4m from working capital with underlying cash profit from operations being stable at circa £3.5m.

Cash flow from discontinued operations in the year was a £3.3m inflow compared to a £1.7m outflow in the prior year.

Capital investment

During the year the Group invested £1.5m (2016: £0.6m) in property plant and equipment and £0.4m (2016: £0.05m) in software and research and development intangibles.

There have been two significant one off investments in the year relating to the new facility in Leominster and the expansion of the office and meeting room space in our Redditch facility.

Investment in subsidiaries

During 2016/17 the Group invested £1.9m, which included the final deferred consideration payment for Ginsbury Electronics Limited of £0.3m and £1.6m in acquiring Creasefield Limited. In the prior year we invested £1.8m being the initial consideration for the acquisition of Ginsbury Electronics Limited which in aggregate amounted to £2.1m.

KPIs

In addition to the information provided in the Chairman's Report and this Strategic Report, the Directors use a number of key performance indicators to manage the business. Non-financial KPIs are not disclosed.

KPI	2017	2016
Sales from continuing operations	£40.0m	£36.8m
Adjusted operating profit from continuing operations	£3.2m	£3.1m
Adjusted profit before taxation from continuing operations	£3.1m	£2.9m
Adjusted diluted EPS from continuing operations	32.0p	31.3p
Cash flow from continuing operating activities	£5.8m	£3.5m
Net cash/(leverage)	£0.9m	(£3.8m)
Open order book @ 31 May 2017	£20.7m	£17.8m

Outlook

The Group finished the year in a strategically stronger position, having focused investment on the areas that will deliver the future strategic goals of profitable organic and acquisitive growth. As reported, this involved closing the SEMS operation which was not going to meet the required return on investment, completion of the acquisition of Creasefield and establishment of the component sourcing and obsolescence management team. The Creasefield acquisition added production capacity, technical capability and scale to our batteries business unit at an opportune time given the resurgence in the Oil & Gas market. Additionally, the Group has made significant investment in the management, sales and operational teams to position it to deliver the future growth in 2017/18 in-line with expectations. We believe that the Group, with its diversified structure, increasing export sales, new opportunities with battery chemistries, additional antenna capability and capacity, and higher margin products, is now well placed to deliver organic growth.

The Group is focused on its core markets of "value added distribution of electronic components and displays" and "manufacturing of electronics technology" delivering rugged high quality products and services across our wide range of target sectors.

In these markets, we are well placed to add value at every opportunity, from enquiry to order fulfilment; consistently meeting customer and partner expectations which is at the core of maintaining our margins in a highly competitive market place. Through delivering on our strategy over the next five years, we are striving to double the size of the business through a combination of organic growth and strategic acquisition. Our record open order book, book to bill ratio and 1st quarter order intake act as very strong leading edge indicators and give the Board confidence in the prospects for 2017/2018.

G S Marsh
Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2017

Continuing operations	Notes	**2017 £'000**	**2016 £'000**
Revenue	5	40,021	36,807
Cost of sales		(27,994)	(25,348)
GROSS PROFIT		12,027	11,459
Sales, general and administration expenses		(9,291)	(8,758)
PROFIT FROM OPERATIONS		2,736	2,701
Finance costs		(42)	(112)
PROFIT BEFORE TAXATION		2,694	2,589
Tax expense	6	(405)	(286)
ADJUSTED PROFIT AFTER TAXATION		2,693	2,656
Adjustments to profit	7	(404)	(353)
PROFIT AFTER TAXATION		2,289	2,303
(LOSS)/PROFIT FROM DISCONTINUED OPERATIONS	8	(438)	1,865
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		1,851	4,168
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,851	4,168
EARNINGS PER SHARE			
Basic EPS from continuing operations	3	27.2p	27.6p
Basic EPS from discontinued operations	3	(5.2p)	22.3p
Basic EPS from profit for the year	3	22.0p	49.9p
Diluted EPS from continuing operations	3	27.2p	27.2p
Diluted EPS from discontinued operations	3	(5.2p)	22.0p
Diluted EPS from profit for the year	3	22.0p	49.2p

Adjusted EPS measures are reported in note 3 to the preliminary announcement

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2017

	Share Capital £'000	Share Premium Reserve £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Shares held in Treasury £'000	Total Equity £'000
Balance at 31 March 2015	417	3,629	5	8,654	(313)	12,392
Total comprehensive income for the year ended 31 March 2016	-	-	-	4,168	-	4,168
Issue of new shares	4	-	-	-	-	4
Share based payment expense	-	-	-	174	-	174
Dividends	-	-	-	(1,005)	-	(1,005)
Transfer of shares to All Employee Share Ownership Plan	-	-	-	-	32	32
Balance at 31 March 2016	421	3,629	5	11,991	(281)	15,765
Balance at 31 March 2016	421	3,629	5	11,991	(281)	15,765
Total comprehensive income for the year ended 31 March 2017	-	-	-	1,851	-	1,851
Issue of new shares	4	-	-	-	-	4
Dividends	-	-	-	(1,016)	-	(1,016)
Transfer of shares to All Employee Share Ownership Plan	-	-	-	-	38	38
Balance at 31 March 2017	425	3,629	5	12,826	(243)	16,642

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 March 2017

	2017		2016	
	£'000	**£'000**	**£'000**	**£'000**
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		2,406		1,366
Intangible assets		6,224		5,283
TOTAL NON-CURRENT ASSETS		8,630		6,649
CURRENT ASSETS				
Inventories	5,577		5,534	
Trade and other receivables	8,085		13,465	
Corporation tax receivable	-		-	
Cash and cash equivalents	909		994	
TOTAL CURRENT ASSETS		14,571		19,993
TOTAL ASSETS		23,201		26,642
LIABILITIES				
CURRENT LIABILITIES				
Bank overdraft	-		4,398	
Trade and other payables	5,908		6,024	
Corporation tax liabilities	324		165	
TOTAL CURRENT LIABILITIES		6,232		10,587
NON CURRENT LIABILITIES				
Trade and other payables	-		5	
Deferred tax liability	327		285	
TOTAL NON CURRENT LIABILITIES		327		290
TOTAL LIABILITIES		6,559		10,877
TOTAL NET ASSETS		16,642		15,765
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Share capital		425		421
Share premium reserve		3,629		3,629
Capital redemption reserve		5		5
Retained earnings		12,826		11,991
Shares held in treasury		(243)		(281)
TOTAL EQUITY		16,642		15,765

CONSOLIDATED STATEMENT OF CASH FLOWS
at 31 March 2017

	2017		2016	
	£'000	**£'000**	**£'000**	**£'000**
OPERATING ACTIVITIES				
Profit before taxation including discontinued operations		2,155		4,196
Adjustments for:				
Depreciation		447		406
Amortisation		387		225
Impairments		-		618
(Profit)/loss on disposal of property, plant and equipment		(17)		2
Loss on disposal of intangible fixed assets		28		-
Share based payment expense		-		174
Finance costs		42		112
Other		38		32
Profit from operations before changes in working capital and provisions		3,080		5,765
Decrease in inventories	626		162	
Decrease/(increase) in trade and other receivables	6,179		(3,663)	
Decrease in trade and other payables	(548)		(468)	
		6,257		(3,969)
Cash generated from operations		9,337		1,796
Income taxes paid	(185)		(102)	
Income taxes recovered	-		128	
		(185)		26
Cash flow from operating activities		9,152		1,822
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(1,477)		(900)	
Purchase of intangible assets	(426)		(36)	
Proceeds of sales from property, plant and equipment	183		55	
Consideration paid on acquisition of subsidiaries	(1,941)		(1,761)	
(Overdraft)/cash with subsidiaries over which control has been obtained	(114)		977	
		(3,775)		(1,665)
		5,377		157
FINANCING ACTIVITIES				
Issue of ordinary shares	4		5	
Interest paid	(42)		(112)	
Dividend paid to equity shareholders	(1,026)		(991)	
		(1,064)		(1,098)
		4,313		(941)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2017 (continued)

Cash and cash equivalents comprise:

	2017 £'000	2016 £'000
Net increase/(decrease) in cash and cash equivalents	4,313	(941)
Cash and cash equivalents at beginning of year	(3,404)	(2,463)
Cash and cash equivalents at end of year	909	(3,404)

There were no significant non-cash transactions

	2017 £'000	2016 £'000
Cash available on demand	909	994
Overdrafts	-	(4,398)
	909	(3,404)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

1. All figures are taken from the 2017 audited annual accounts which were approved by the directors on 4 July 2017, unless denoted as 'unaudited'. Comparative figures in the results for the year ended 31 March 2016 have been taken from the 2016 audited annual accounts other than where represented for the impact of discontinued operations and adjusted performance metrics as set out in note 7 and 8.

This financial information is presented in pounds sterling and all values are rounded to the nearest thousand (£‘000) except when otherwise indicated.

The financial information for the year ended 31 March 2017 does not constitute statutory accounts as defined in section 435 (1) and (2) 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.

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.

Statutory accounts for the year ended 31 March 2016 have been delivered to the Registrar of Companies and those for the year ended 31 March 2017 will be delivered to the Registrar of Companies shortly.

Certain statements in this announcement constitute forward-looking statements. Any statement in this announcement that is not a statement of historical fact including, without limitation, those regarding the Group's future expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this announcement and the Group undertakes no obligation to update its view of such risks and uncertainties or to update the forward-looking statements contained herein. Nothing in this announcement should be construed as a profit forecast.

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 application of these standards and interpretations necessitates the use of estimates and judgements. This financial information is also prepared on a going concern basis under the historical cost convention except where fair value measurement is required by IFRS.

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 2017 and are unchanged from those disclosed in the Group’s Report and Financial Statements for the year ended 31 March 2016.

3. EARNINGS PER SHARE

The earnings per share is based on the following:

	2017 £'000	2016 £'000
Adjusted continuing earnings post tax	2,693	2,656
Reported continuing earnings post tax	2,289	2,303
Discontinued earnings post tax	(438)	1,865
Adjusted total earnings post tax	2,255	4,521
Reported total earnings post tax	1,851	4,168
Weighted average number of shares	8,426,418	8,345,406
Diluted number of shares	8,426,418	8,474,536
Reported EPS		
Basic EPS from continuing operations	27.2p	27.6p
Basic EPS from discontinued operations	(5.2p)	22.3p
Basic EPS from profit for the year	22.0p	49.9p
Diluted EPS from continuing operations	27.2p	27.2p
Diluted EPS from discontinued operations	(5.2p)	22.0p
Diluted EPS from profit for the year	22.0p	49.2p
Adjusted EPS		
Adjusted basic EPS from continuing operations	32.0p	31.8p
Adjusted basic EPS from discontinued operations	(5.2p)	22.3p
Adjusted basic EPS from profit for the year	26.8p	51.8p
Adjusted diluted EPS from continuing operations	32.0p	31.3p
Adjusted diluted EPS from discontinued operations	(5.2p)	22.0p
Adjusted diluted EPS from profit for the year	26.8p	51.3p

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 8,426,418 (2016: 8,345,406).

The diluted earnings per share is based on 8,426,418 (2016: 8,474,536) ordinary shares which allow for the exercise of all dilutive potential ordinary shares.

The adjustments to profit made in calculating the adjusted earnings are set out in note 7.

4. DIVIDENDS

	2017 £'000	2016 £'000
Final dividend paid for the prior year of 8p per share (2016: 8p)	680	673
Interim dividend paid of 4p per share (2016: 4p)	340	337
Cancelled dividends on shares held in treasury	(4)	(5)
	1,016	1,005
Final dividend proposed for the year 8p per share (2016: 8p)	677	670

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

Year ended 31 March 2017	Distribution division £'000	Manufacturing division £'000	Head office £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
External revenue	16,479	23,542	-	40,021	-	40,021
Profit/(loss) before tax	1,125	2,526	(957)	2,694	(539)	2,155
Tax expense	(229)	(371)	195	(405)	101	(304)
Profit after tax	896	2,155	(762)	2,289	(438)	1,851
Balance sheet						
Assets	7,090	10,224	5,887	23,201	-	23,201
Liabilities	(2,256)	(3,997)	(306)	(6,559)	-	(6,559)
Net assets	4,834	6,227	5,581	16,642	-	16,642
Other						
Capital expenditure						
- Tangible fixed assets	348	1,129	-	1,477	-	1,477
- Intangible assets	40	389	-	426	-	426
Depreciation,	153	259	-	412	35	447
Amortisation	19	165	203	387	-	387
Other non-cash expenses	-	-	-	-	-	-
Interest paid	1	41	-	42	-	42

No individual customer contributed more than 10% of the Groups revenue in the financial year ended 31 March 2017. During the year ended 31 March 2016, greater than 10% of the Group's Revenue was derived from one customer within the Manufacturing Division.

5. **SEGMENT INFORMATION (continued)**

Year ended 31 March 2016	**Distribution division £’000**	**Manufacturing division £’000**	**Head office £’000**	**Continuing operations £’000**	**Discontinued operations £’000**	**Total £’000**
External revenue	16,628	20,179	-	36,807	7,293	44,100
Profit before tax	1,198	2,539	(1,148)	2,589	1,607	4,196
Tax expense	(232)	(411)	357	(286)	258	(28)
Profit after tax	966	2,128	(791)	2,303	1,865	4,168
Balance sheet						
Assets	7,720	9,103	5,323	22,146	4,496	26,642
Liabilities	(2,069)	(3,260)	(4,884)	(10,213)	(664)	(10,877)
Net assets	5,651	5,843	439	11,933	3,832	15,765
Other						
Capital expenditure						
- Tangible fixed assets	295	330	-	625	-	625
- Intangible assets	17	19	-	36	-	36
Depreciation	159	247	-	406	-	406
Amortisation	10	33	182	225	-	225
Impairment	-	-	-	-	618	618
Other non-cash expenses	-	-	174	174	-	174
Interest paid	3	109	-	112	-	112

	External revenue by location of customer		**Total assets by location of assets**		**Net tangible capital expenditure by location of assets**	
	2017 £’000	**2016 £’000**	**2017 £’000**	**2016 £’000**	**2017 £’000**	**2016 £’000**
United Kingdom	32,199	30,277	23,201	26,642	1,477	625
Rest of Europe	5,061	3,267	-	-	-	-
Asia	1,511	845	-	-	-	-
North America	900	2,243	-	-	-	-
Other	350	175	-	-	-	-
	40,021	36,807	23,201	26,642	1,477	625

All the above relate to continuing operations. The discontinued operations revenue reported above all related to customers located in the United Kingdom.

6. TAX EXPENSE

	2017 £'000	2016 £'000
Analysis of continuing and discontinuing total tax expense		
Total tax charge from continuing operations	405	286
Total tax credit from discontinued operations	(101)	(258)
	304	28
Current tax expense		
UK corporation tax on profits or losses for the year	307	165
Adjustment in respect of prior periods	-	-
	307	165
Deferred tax (credit)	(3)	(137)
Total tax charge	304	28

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

	2017 £'000	2016 £'000
Profit before tax including discontinued operations	2,155	4,196
Expected tax charge based on the standard rate of corporation tax in the UK of 20% (2016 – 20%)	431	839
Effect of:		
Expenses not deductible for tax purposes	24	52
Deductible expenses not charged in Group accounts	(47)	(7)
Difference between depreciation for the year and capital allowances	12	18
Tax relief on exercise of share options at less than market value	(15)	(158)
Enhanced relief on research and development expenditure	(94)	(674)
Deferred tax credit arising on change of tax rate	(15)	(18)
Amortisation of intangibles	8	(4)
Other	-	(20)
Total tax charge	304	28

See note 8 for further analysis of continuing and discontinued tax charge

7. ADJUSTMENTS TO PROFIT

The group's results are reported after a number of imputed non-cash charges and non-recurring items. Therefore we have provided additional information to aid an understanding of the group's performance. We have presented an adjusted profit metric adjusting for the following items:

- Non-cash accounting charges arising from share based payments and the amortisation of acquisition related intangibles.
- One off cash costs relating to the acquisition of Creasefield Limited and the re-organisation of the manufacturing division.

	2017 £'000	**2016 £'000**
Acquisition and re-organisation costs in cost of sales	175	-
Acquisition and re-organisation costs in sales, general and administration expenses	61	-
Total acquisition and re-organisation costs	236	-
Amortisation of acquisition intangibles	203	182
Share based payments	-	174
Taxation effect	(35)	(3)
Total	**404**	**353**

	2017 £'000	**2016 £'000**
Reported gross profit from continuing operations	12,027	11,459
Adjusted gross profit from continuing operations	12,202	11,459
Reported gross margin percentage from continuing operations	30.1%	31.1%
Adjusted gross margin percentage from continuing operations	30.5%	31.1%
Reported operating profit from continuing operations	2,736	2,701
Adjusted operating profit from continuing operations	3,175	3,057
Reported operating margin percentage from continuing operations	6.8%	7.3%
Adjusted operating margin percentage from continuing operations	7.9%	8.3%
Reported profit before tax from continuing operations	2,694	2,589
Adjusted profit before tax from continuing operations	3,133	2,945
Reported profit after tax from continuing operations	2,289	2,303
Adjusted profit after tax from continuing operations	2,693	2,656

8. DISCONTINUED OPERATIONS

The table below reconciles the discontinued operations to the previously reported income statement.

	2017 Continuing operations £'000	2017 Discontinued operations £'000	2017 Total £'000	2016 Continuing operations £'000	2016 Discontinued operations £'000	2016 Total £'000
Revenue	**40,021**	**-**	**40,021**	**36,807**	**7,293**	**44,100**
Cost of sales	(27,994)	-	(27,994)	(25,348)	(4,724)	(30,072)
Gross profit	**12,027**	**-**	**12,027**	**11,459**	**2,569**	**14,028**
Sales general & administration expenses	(9,291)	(539)	(9,830)	(8,758)	(962)	(9,720)
Operating profit	**2,736**	**(539)**	**2,197**	**2,701**	**1,607**	**4,308**
Finance costs	(42)	-	(42)	(112)	-	(112)
Profit before tax	**2,694**	**(539)**	**2,155**	**2,589**	**1,607**	**4,196**
Tax expense	(405)	101	(304)	(286)	258	(28)
Profit after tax	**2,289**	**(438)**	**1,851**	**2,303**	**1,865**	**4,168**

Cash flows from discontinued operations are as follows:

	2017 Continuing operations £'000	2017 Discontinued operations £'000	2017 Total £'000	2016 Continuing operations £'000	2016 Discontinued operations £'000	2016 Total £'000
Operating cash flows	5,824	3,328	9,152	3,542	(1,720)	1,822
Investing cash flows	(3,775)	-	(3,775)	(1,559)	(106)	(1,665)
Financing cash flows	(1,064)	-	(1,064)	(1,098)	-	(1,098)

9. **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.