Trusted Technology for Demanding Applications

Annual Report
and Accounts 2024

Solid State Group

Welcome to our 2024 Annual Report and Accounts

What we do

We supply components and systems, primarily designed for demanding applications where safety, performance, reliability and quality are critical.

This enables our customers to focus on their core business with confidence by delivering trusted technology for demanding environments.

Our Purpose

To deliver trusted technology for demanding applications in the quest for innovation and solving our customers unmet needs by turning ideas into plans and plans into products.

Our Vision

We are trusted experts with the technical knowledge, connections and adaptability to solve the problems the electronic community can't solve alone.

Our Mission

To establish our position as an international leader in providing sustainably engineered electronics technology systems and components, enabling our stakeholders to realise value maximise efficiencies, and reduce waste.

Our culture

The Solid State value has always been to treat people how we would want to be treated. Our people are the heart of our business and we are proud of the Solid State culture that is welcoming, friendly and supportive of all members of the organisation.

Our employees work consistently hard in striving to solve problems for our customers, and the Board encourage all employees to have fun in the process, which drives a culture of innovation, inclusivity and sustainable growth.

Read more about our culture on **pages 40 to 41.**

We operate in
14
locations

We sell to over
50
countries

We have
433
employees

We have achieved over
50 years
of innovation and strategic growth

“I’m pleased to present a year of record results, built on a growth strategy that is delivering Group resilience, innovation, a broadening product offering and further expansion into globally accessible end markets.”

Welcome from our CEO Gary Marsh

Solid State is an ambitious Group operating in the international specialist electronics market.

A key point of difference for Solid State is its engineering-led sales approach, improving its clients’ product development and technology choices at an early stage of the cycle.

Our journey

Solid State has expanded over its 53 year history through organic growth as well as acquisition. To date, the Group has made 13 acquisitions, which have brought new technologies into the Group and widened its geographic footprint.

For Solid State’s clients, the markets they work in are becoming increasingly demanding, which requires an agile technology partner with a comprehensive understanding of the cutting-edge options and emerging technology solutions.

Our values lead every aspect of our business operations and decision making:

Create a positive and collaborative workplace by putting our people at the heart of our business.

Add value to all our stakeholders by being responsible, ethical and sustainable in all that we do.

Contents

Find us online at
solidstateplc.com

Group Highlights

Financial highlights

Revenue
£163.3m

2024	**£163.3m**
2023	**£126.5m**
2022	**£85.0m**
2021	**£66.3m**
2020	**£67.4m**

Adjusted operating profit margin
10.4%

2024	**10.4%**
2023	**9.2%**
2022	**8.7%**
2021	**8.3%**
2020	**7.2%**

Operating profit
£13.7m

2024	**£13.7m**
2023	**£9.4m**
2022	**£3.7m**
2021	**£4.3m**
2020	**£4.1m**

Profit before tax
£12.2m

2024	**£12.2m**
2023	**£8.4m**
2022	**£3.5m**
2021	**£4.2m**
2020	**£4.0m**

Adjusted fully diluted EPS
99.8p

2024	**99.8p**
2023	**80.7p**
2022	**70.6p**
2021	**54.7p**
2020	**46.3p**

Cash flow from Operations
£14.3m

2024	**£14.3m**
2023	**£9.4m**
2022	**£5.9m**
2021	**£6.9m**
2020	**£8.0m**

Dividend
21.5p

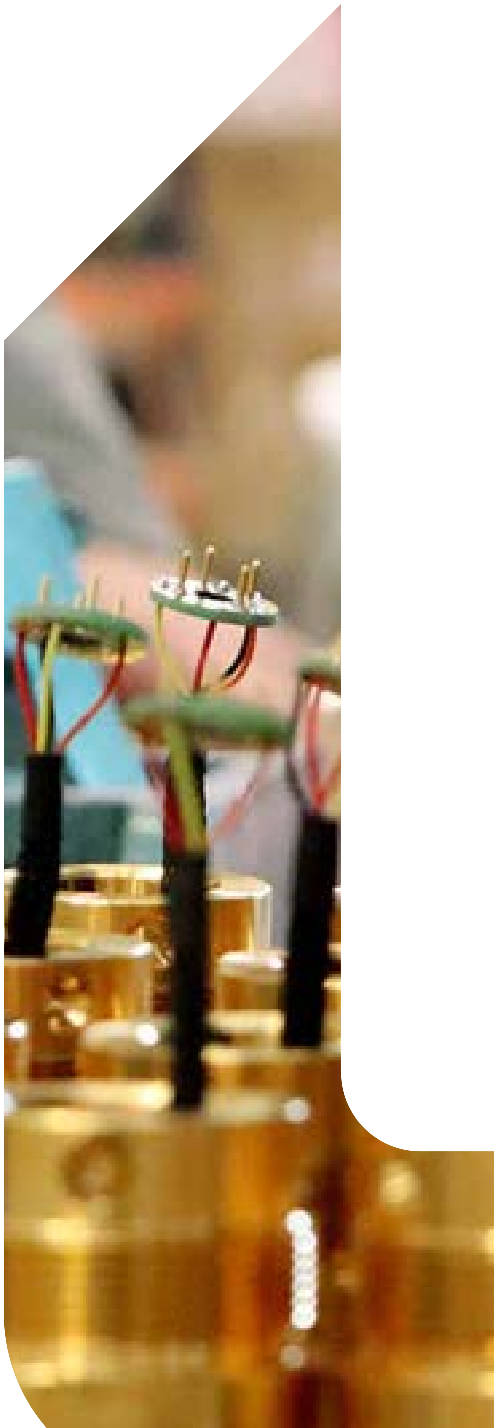
2024	**21.5p**
2023	**20.0p**
2022	**19.5p**
2021	**16.0p**
2020	**12.5p**

ROCE*
26.4%

2024	**26.4%**
2023	**20.1%**
2022	**27.3%**
2021	**19.0%**
2020	**16.2%**

ROE**
13.8%

2024	**13.8%**
2023	**11.5%**
2022	**9.3%**
2021	**15.5%**
2020	**15.2%**



* ROCE is defined as adjusted operating profit divided by average capital employed which is calculated as the average of the last two years net assets less net (cash) / debt.

** ROE is defined as profit after tax divided by total equity.

Alternative/Adjusted Performance Measures ("APMs"), including 'adjusted' and 'underlying', are applied consistently throughout the 2024 Annual Report and Accounts. APMs are defined and reconciled in Note 30 to the reported GAAP measures, and also include a narrative disclosure of the basis of recognition of the APMs and the impact of the differences compared to the statutory measures.

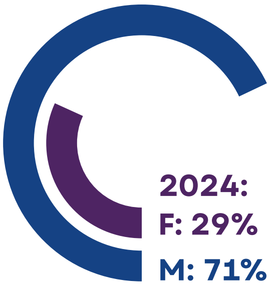
Operational highlights

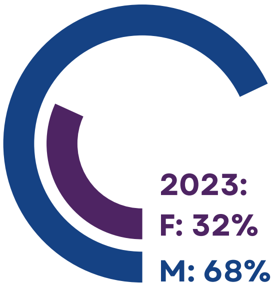
Employee retention

Investment in our culture means we have been able to maintain low staff turnover. The retention rate would be 88% albeit it is normalised for retirements and the AEC production line closure.

Gender diversity

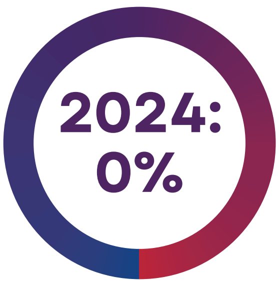
We are proud of what we have achieved so far in improving diversity in our organisation, albeit we recognise there are opportunities to continue to improve. The Board continue to focus on driving a culture that is inclusive and understanding to ensure our employees have a healthy work life balance to attract and increase our diversity. Headcount in 2024 has risen by 29, with a larger proportion of the new intake being male, especially in manufacturing and assembly. This has in turn had a marginal knock on effect in the gender splits.

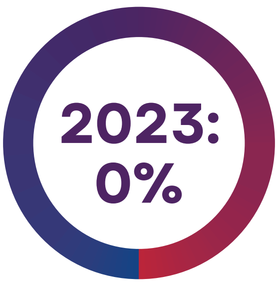


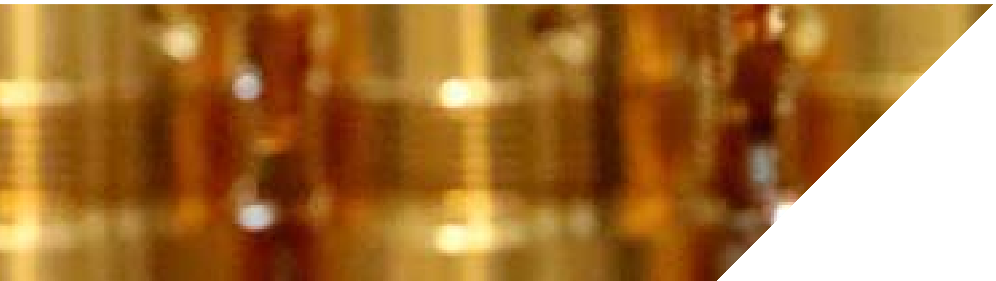


Lost time incidents

The Board continues to actively promote a safety-first culture. We have mandatory training and policies in place for all employees on workplace safety and practices. We track accidents and incidents on a monthly basis.







ESG highlights

Environmental

Our Scope 1 and Scope 2 emissions for our UK and offshore operations have seen a 60% reduction from 2020; however, the marginal increase in 2024 is, primarily, as a result of grid being 9% less green than in 2023.

Our overall baseline intensity ratio has continued to decrease from 20.9 tonnes in our base year in FY20 to 12.7 tonnes in FY24. This is driven by the combination of the overall reduction in CO_2e combined with the significantly improved financial performance.

Social

Solid State is a people business and recognises the value our people play in the Group's success. Some of our key highlights this year include establishing a wellbeing committee, improving the diversity in our Board and leadership team, as well as enhancing our community engagement supporting programmes, such as the schools VEX robotics competitions and the Local Skills Improvement Plan (LSIP) to support the Worcestershire county in identifying skills gaps. Additionally, we are a proud signatory of the armed forces covenant and support military veterans working for our business.

Governance

The Board has continued to develop adding Sam Smith to the Group Board and forming the Group Executive Board towards the end of the year. The Groups policies and procedures have continued to developed and enhanced as we strive to deliver continuous improvement, adopting best practice governance in accordance with the updated 2023 QCA code.

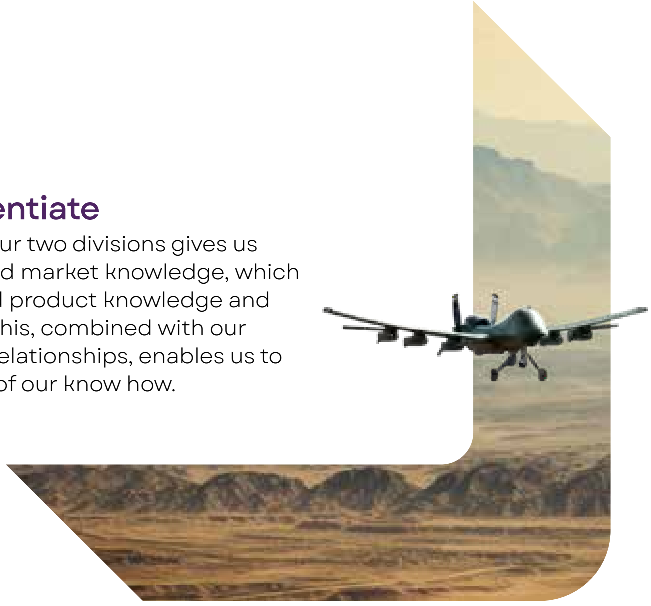
Read more about ESG on **pages 36 to 43.**

Group at a Glance

Solid State provides specialist, trusted technology for demanding applications by turning ideas into plans and plans in to products.

How we differentiate

The combination of our two divisions gives us specialist industry and market knowledge, which supports our focused product knowledge and technical expertise. This, combined with our strong supply chain relationships, enables us to form the foundation of our know how.



Our divisions

Solid State Group

Trusted Technology for Demanding Applications

Systems

Steatite · Custom Power · Active Silicon

Power · Communications · Computing

The Systems division has market-leading capabilities in the design, manufacture, supply and through life support of high-performance systems. The business provides systems solutions across three areas: industrial computing and vision systems, custom battery packs providing portable power and energy storage solutions and advanced communication systems, encompassing wideband antennas and high-performance radio products.

System's highlights

- Record revenue
- Significant performance in Security & Defence built on previous investment capabilities
- Significant investment in R&D adding complementary technology and product capabilities to meet customer requirements
- Adopted the strengthened Custom Power brand across the UK and USA providing power solutions

Our Clients

BAE SYSTEMS · AIRBUS · Sonardyne · NATO OTAN

Components

solsta · pacer · DURAKOOL

Franchise · Value Added Services · Own Brand

The Components division provides products and services across three areas: own brand manufactured components, franchised components and the provision of value-added services, such as sourcing and obsolescence management. It is a specialist in designing-in innovative, valuable, technical solutions for customers seeking cutting edge, electronic, opto-electronic, electro-mechanical components and displays with market-leading value-added capabilities.

Component's highlights

- Rebranded and refocused around the Solsta brand
- Secured a US franchise agreement with Digi enabling Solsta to operate in the US market
- Continued promotion of Durakool® brand
- Enlarging global third-party sales network and increased internal support resources

Our Clients

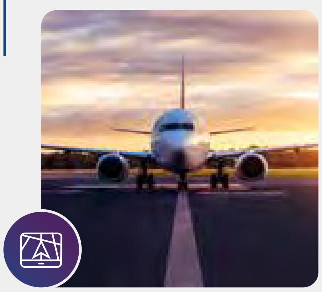
Honeywell · Malvern Panalytical · SONY · SIEMENS

Markets we serve

Industrial

Medical

Defence



Transport

Read more on **pages 21 to 23**

Our global reach

Our international customer base

We work with Tier 1 OEMs across all our key markets. In our key target markets of industrial, medical, transport and defence, our long-standing relationships with Tier 1 global prime contractors provide recurring revenue streams through which we add value through our technology and industry expertise.

America

Revenue

£28.7m

UK

Revenue

£69.9m

Europe

Revenue

£55.4m

Rest of the world

Revenue

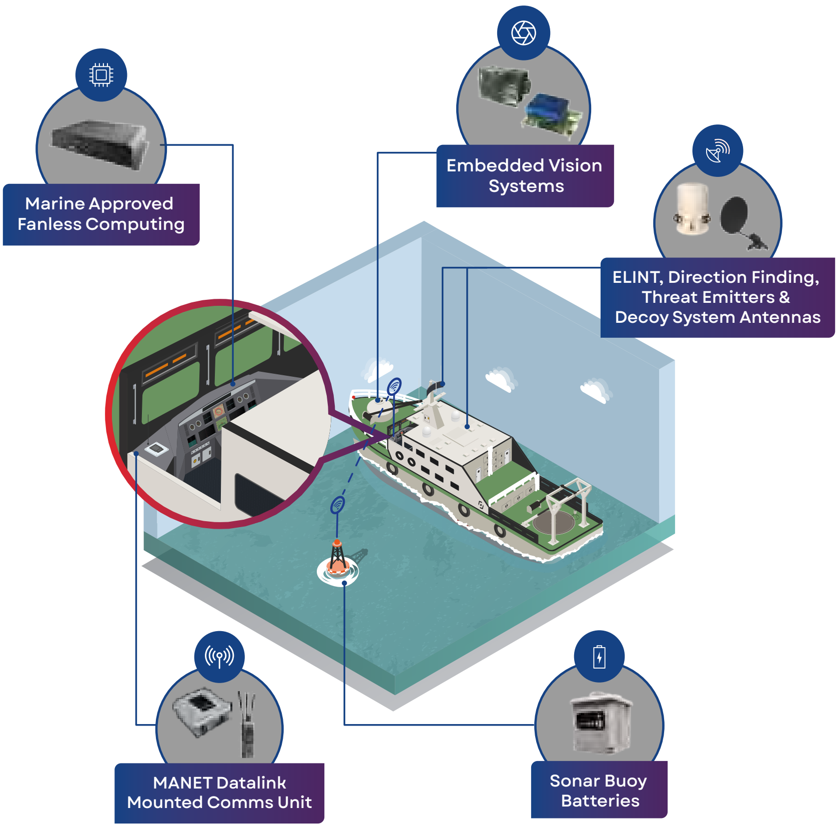
£9.3m

Group at a Glance
continued

How we serve our customers
We build trusted long-standing relationships with our customers. We work with them to solve their technology challenges, turning ideas into plans and plans into products and systems, by linking up the electronics community in the drive for innovation, meeting our customers' unmet needs.

Application example: **Marine**

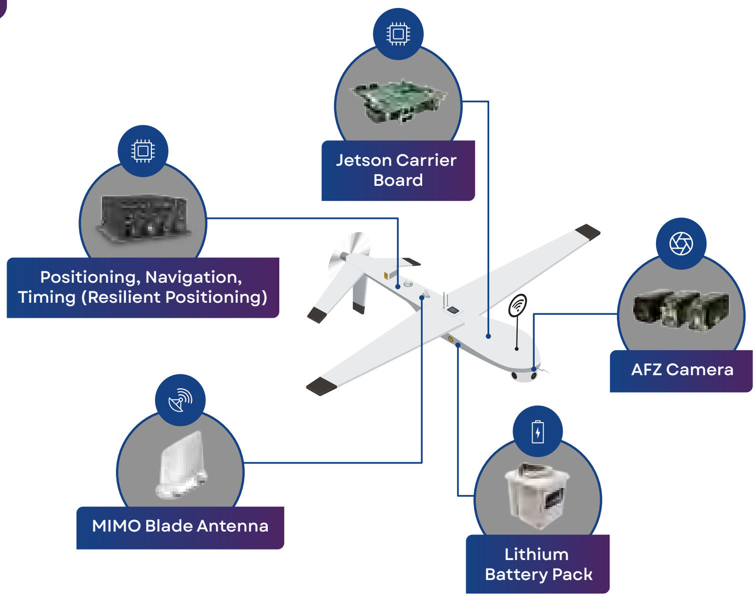
Advantage and benefit we offer
We have operated in the marine and oceanographic sectors for many years. Powering deep sea vehicles, networking marine surface environments and providing computer systems designed to withstand the harsh marine environment are just some of the areas in which our technology excels. The graphic below provides a snapshot of the capabilities we offer in this sector.



Application example: **Unmanned Aerial Vehicle**

Advantage and benefit we offer

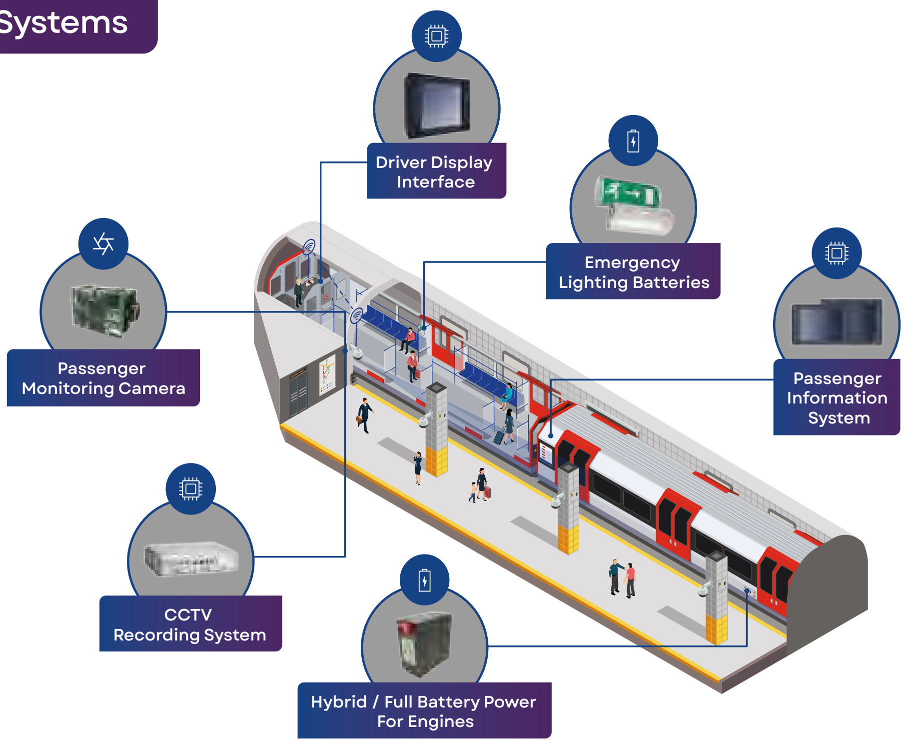
Over recent years, Unmanned Aerial Vehicles (UAVs), often known as drones, have been introduced to a vast array of sectors. Military, industrial, agricultural and even delivery services are increasingly using sophisticated UAVs. These machines require reliable power systems, imaging, optoelectronics, computing and communications systems, all areas where the group has world-class strengths. The graphic provides an overview of some of the areas in which we have specific capabilities.



Application example: **Rail Transportation Systems**

Advantage and benefit we offer

The Group has technology and capabilities that add differentiated value within the rail sector and we are accredited with rail certification EN 50155. The Group has been involved in a number of cutting-edge projects. By combining the expertise of multiple business units, we are able to engineer more complex and complete systems than many of our competitors. Some examples of our capabilities are highlighted in this rail-focused graphic.



Group at a Glance
continued

Case Study

Power for portable medical diagnostics

Challenge
The Easi-Scan:Go is a wireless, app-based scanner that presents an image on up to three smart devices, simultaneously.

Exceptional image quality allows for full fertility examinations as well as non-reproductive applications such as body condition assessment.

The device needed to be durable with a high IP rating for water and dust ingress, as well as being lightweight and highly portable.

Solution
Our team identified the optimum solution to be two Panasonic 18650 high-capacity cells in parallel. Known as a lithium-ion hybrid cell, as it is also comprised of nickel and cobalt, the cell delivers high capacity and very good discharge features.

Battery life in the device is up to 300 minutes, and the probe can be charged from a 12v in-car charger or DC power adapter.

Our solution suitably met the challenging requirements of this robust, yet portable, lightweight device. This collaboration yields several thousand units annually, demonstrating both companies' commitment to powering innovation and delivering advanced, reliable and versatile solutions for the veterinary industry.

Case Study

Enabling AI ultrasound advances with custom PCs

Ultrasound sonographers mustn't miss any abnormalities, but are often under pressure to carry out examinations in a short timeframe. Any precious minutes saved per assessment can add up to a substantial time saving each day.

A customer of Solsta* uses proprietary AI technology to improve ultrasound scanning efficiency, reducing omissions and errors. The company required 4,000 deployed scanners to be retrofitted with a powerful custom medical PC to accommodate a plug-in ultrasound probe and two fast graphics cards within a small footprint, with custom logos added. A prototype was needed within a very tight timeframe, and medical certification for the UK, Europe and the USA had to be secured.

The Solsta Solution
Solsta's in-house experts came up with a technically advanced, mechanically configurable and customisable solution, resolving mechanical issues and managing thermal dynamics to meet the spec fully. The right price point was achieved, and a prototype dispatched after just ten days.

Medical re-certification was required, so Solsta's technology experts worked closely with the customer to submit timely answers to the FDA, thus avoiding additional expenses.

The ultimate success of this systems integration project was down to Solsta's medical expertise and experience, quick turnaround time and willingness to go the extra mile.

* Solsta was known as Solid State Supplies at the time of the project.

Our Investment Case

Unmatched technical knowledge and experience with a consultative approach

For over 50 years, the Group has had industry-leading design-in component supply and engineered systems manufacturing expertise.

Our industry knowledge and experience, combined with long-standing key supplier relationships, allow us to address customer needs by designing in solutions that select the most appropriate component, module, computing technology, cell chemistry or communications solution.

This ensures Solid State is a trusted partner and is a subject matter expert for our customers.

Industry expertise and domain knowledge

50+ years

A proven track record

Solid State's diversity and resilience has underpinned our strong growth over recent years. FY24 has delivered another year of growth, maintaining compound growth over the last five in excess of 20% in our key financial measures of revenue and adjusted profit before tax. Operating margins also continue to increase, now double digits.

This strong historical performance provides a solid foundation upon which we can build and invest in the year ahead, facilitating the next phase of growth and delivering incremental value to our stakeholders as we strive to deliver on our 2030 goals.

TSR Growth Rate (5 Year)

30.3%

Trusted relationships with blue-chip customers

The business has a diverse portfolio of customers including Tier-one customers in medical, transport and defence sectors. We have long-standing customer relationships where they recognise us as providing high-quality solutions, products and services.

Our ability to adapt, our resilience, and operating in markets with high barriers to entry provides our customers with the confidence to trust us to deliver high-value, long-life sustainable products that can operate in demanding environments.

March open orderbook

£88.4m

Best-of-breed product portfolio

We work closely with our customers to add value and, thus, design ourselves into the product cycle to continue to provide engineered solutions as the customer demands evolve. Our customers are, typically, looking to embrace the adoption of the enabling technologies where the Group has industry-leading component and systems manufacturing expertise.

The demand for the Group's products and services is driven by the need for bespoke specialist electronic solutions to address complex needs, typically in harsh environments where enhanced durability and resistance to extremes of humidity, temperature, pressure, vibration and wind is vital.

We supply products and solutions across electronic and optoelectronic component design-in, image processing, AI ("Artificial Intelligence"), IoT ("Internet of Things"), fossil fuel replacement, power switching, cordless and portable power and leading-edge communications/antenna solutions.

New own brand product

LiFe PO4

Accredited facilities across multiple locations

The Group operates from multiple facilities across its locations and over the years has invested heavily in ensuring the facilities have appropriate accreditations (AS9100D, AS9120, ISO13485, ISO45001, ISO14001) and test and measurement capabilities needed to operate at the highest level of quality. The business continues to evaluate and invest in our sites to ensure that we can meet or exceed our customer requirements. We made significant investments in our Crewkerne facility in FY24 and are looking to invest in a new facility in Tewkesbury in the year ahead as the business works on physically larger systems and more complex projects.

ISO Accreditations

ISO 13485

Focused on high-growth markets

The Group is well established in our four key target markets (Security & Defence, Medical, Transport and Industrial). The diversity and balance of end markets we serve provides resilience to changes in market demand.

We have a well-established diverse portfolio of products, technology and services for our customers that operate in our target growth markets, and we continue to challenge ourselves to ensure our products are innovative and pushing boundaries, and leading market trends.

We target markets that have high barriers to entry, where accreditations, long-standing reputations, and specialist test and measurement capabilities ensure our products and services are valued.

FY23- FY24 Market growth rate

41%*

* Year on year growth in our four target sectors

Chairman's Statement

Nigel Rogers
Non-Executive Chairman

> Solid State is ambitious and sees this record year as an important step in ultimately delivering on its 2030 goals."

I am delighted to announce that the Group has delivered another record year of growth, continued cash generation and reduction in debt. The Group's resilient business model, sector knowledge and customer diversity has helped drive significant organic revenue growth in FY24. Compound annualised growth in Total shareholder return ("TSR")* over the five years to March 2024 has been circa 30.3%. The Board has set out its ambition to maintain TSR growth of circa 20% going forward.

Performance

Government spending in security and defence continues to increase as a result of the geo-political environment, with the Group seeing direct revenue from this sector of 44% (24% Defence & Security excluding Nato). Following a review of strategy by the Board the Executive Board are implementing a programme to develop counterweight markets in Industrial, and especially Medical, see the Chief Executive Officer's Review on page 16 for further details. The Group's resilient business model and strong relationships with Tier 1 customers puts us in a strong position to provide added-value engineered products to address our customers' demanding requirements.

The key growth driver in the year has been the communications contracts initially announced in November 2022, where we have delivered in excess of £33m of communications equipment. The continued adoption of this technology this year provides a foundation for long-term recurring revenue in this market.

Our open orderbook continues to return to normal levels as component lead times start to shorten. The Group has a strong orderbook and is confident that the shorter lead times will enable more efficient conversion of new orders into billings.

Environmental, Social and Governance (ESG)

Creating a long-term sustainable business is a core element of Solid State's strategy.

Our business model, strategy and adoption of our technology is inherently aligned with our environmental objective to "reduce consumption and reduce waste" to minimise the adverse impact on the environment and maximise value for our stakeholders.

Our products and systems are engineered to be often upgradable and have a long product life. Our ESG Committee continues to evaluate and provide recommendations on how we can progress and deliver against our goals. Throughout FY23/24, the Group has made significant progress on all aspects of the ESG strategy (further details are set out on pages 36 to 43), the major progress being the decommissioning of an energy-intensive production line within the US Components operation, which will, consequently, greatly reduce its CO_2 emissions and improve financial performance in the year ahead. The Group continues to strive to achieve our ESG goals and deliver on our strategy, including achieving net zero in Scope 1 and 2 emissions by 2050.

Our employees

Our Solid State culture drives the whole company and continues to play an integral part in our progress. As our business looks to grow, I'm pleased to say that we continue to invest, attract and retain talent and now have 433 employees across our sites. The investment in our people is essential to successfully delivering on our strategy and underpinning our long-term performance.

* TSR % is calculated as follows: "((current price less purchase price) plus dividends)/purchase price". "CAGR in TSR" is calculated as follows: (((current price plus dividends)/purchase price)^(1/time period)-1).

On behalf of the Board, I would like to thank all our employees for their commitment to the business.

The Board and Governance

During this year, the Board is pleased to have welcomed Sam Smith as an Independent Non-Executive Director. Sam sits on the Audit, Remuneration and Nominations Committees. Since joining, Sam has added significant value and her experience and contribution in this year has been very insightful and challenging. I am confident that she will continue to make strong contributions to the growth of the Group as we look forward.

The Board has reviewed its make-up, skills, and compliance with the recently updated QCA code. As a result of this review, the Board concluded that the three independent NEDs provide a good skills balance and there is appropriate independent oversight and challenge.

The Board has established a Leadership Team during FY24 (see page 52 & 53), who are responsible for informing and delivering the strategy as well as executing of the day-to-day operations of the business. The Executive Board with the senior leadership teams bring a breadth of skills, experience and industry knowledge, which will further contribute to the success of the Group's strategy.

Dividend

The Directors are proposing a final dividend of 14.5p (2022/23: 13.5p) resulting in a full year dividend of 21.5p (2022/23: 20p) per share, which is covered 4.6 times by adjusted earnings (2022/23: 4 times).

The increase in dividend cover is as a result of the recognition of Systems revenue and profits on deliveries made in FY24 on specific contracts previously expected to be recognised in FY25. This ensures our dividend is sustainable and we are able to maintain our commitment to a progressive dividend policy in the year ahead.

Our progressive dividend policy is an important part of the strategy of delivering shareholder return, albeit with the ambitious growth plans of the Group, dividends are expected to continue to be a smaller component of total shareholder returns, supporting a suitable balance between investment for growth and cash returns for investors.

The final dividend is subject to approval by shareholders at the AGM on 4 September 2024. The final dividend will be paid on 27 September 2024 to shareholders on the register at the close of business on 6 September 2024, and the shares will be marked ex-dividend on 5 September 2024.

Outlook

The Board is pleased with the performance of the Group over the last 12 months, and we are confident that we can continue to replicate sustainable growth for our shareholders. Our 2030 ambition and strategy as presented on page 24 to 26 highlights our achievements for the past 12 months and the Board is excited for the next phase of the Group's organic investment and mid-term growth plans as we look to deliver on the 2030 strategy.

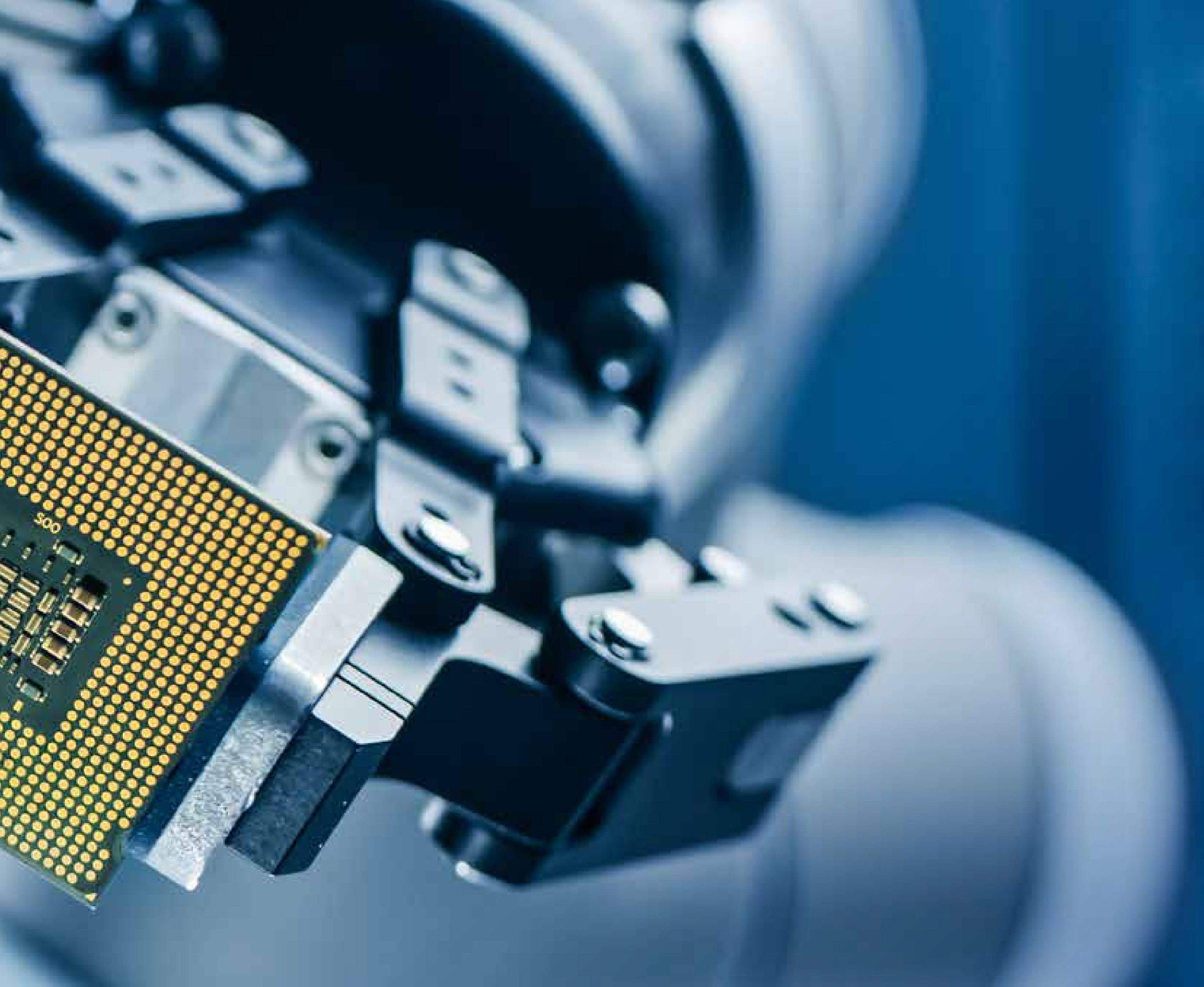
We are confident that we are in a strong position as the business benefits from our diversity and speed in adapting to market trends driven by customer requirements.

We will continue to use this platform to make strategic investments, both organic and M&A, to drive sustainable growth for all our stakeholders.

Nigel Rogers
Non-Executive Chairman

5 July 2024

Strategic Report



> The Group continues to show excellent resilience and the benefits of our divisional balance and sector focus against head winds in certain parts of the business. Our strategy is robust and balanced and has contributed to us achieving a record year."

Gary Marsh
Chief Executive Officer

Chief Executive Officer's Review

Gary Marsh
Chief Executive Officer

> "Engineering-led account management is the point of difference in delivering a value-added service to long-term customers across diversified markets."

I am delighted to report that the business has delivered another year of record financial performance in FY24 with significant progress in advancing our growth strategy to 2030. Our revenue growth highlights the resilience the business has in adapting to market trends and supporting our customers during the challenges in the macro-economic environment.

We have ended the year with a strong orderbook of £88.4m and I am pleased to report that as lead times have started to reduce that our open orderbook has continued to return to more normal levels and was 62% of FY25 consensus revenue.

The Group's reputation with its long-standing customer relationships, puts us in a strong position to adapt to market challenges. This now gives us a strong foundation to focus on the next phase of the Group's investment in organic and acquisitive growth plans to deliver the 2030 strategy.

Strong business performance

The Group has delivered another record year of financial, strategic and operational performance driven by the exceptional result in our systems division. The business has delivered strong organic revenue growth of 27%. Second-half revenue of £75.2m benefitted from deliveries that were originally anticipated to be shipped in FY24/25 and, as a result, was 12% ahead of the second half of FY22/23.

This translates into good progress in our financial KPIs; a significant step change in revenue year on year at £163.3m (2023: £126.5m), 120 Basis Points ("bps")improvement in adjusted operating margins to 10.4% (2023: 9.2%) and 24% growth in adjusted diluted earnings per share over the prior year's record result to 99.8p (2023: 80.7p).

Sector and divisional review

Systems

The division has benefited from its first full year of Custom Power combined with very strong demand in the Defence & Security market which has contributed to the exceptional year in FY24 with revenue increasing 80% to £103.5m (2023: £57.5m).

The increase in revenue reflects over five years of work and investment to get our customers to adopt our communications technology. The revenue delivered earlier than expected has been driven by customer requirements for communications products to be shipped as soon as they are available, reflecting their operational requirements.

Our long-standing relationships with Tier 1 customers and the notable NATO contract win in FY23 is now providing a foundation for long-term recurring revenue in this sector as the Group targets "through-life" support opportunities. We are investing in a new production facility during Q1 of FY25, including engineering capabilities and a project management team to establish our "Integrated Systems" business unit within our systems division to meet the demand for more complex systems from our Tier 1 Security & Defence customers.

Year end orderbook

£88.4m

Components

In FY24, we have seen the Components revenue start to normalise after experiencing an exceptional prior year. Component lead times have largely normalised, leading to customers now looking to reduce the levels of stockholding and orders. In common with our peer group, we continue to see a slowdown in the industrial and rail sectors, with some customers pushing out schedules through 2024. This resulted in revenue decreasing 13% to £59.8m (2023: £69.0m). However, we are seeing strong levels of design work with some particularly exciting opportunities in the medical sector.

The orderbook remains strong for FY25 and the business is expected to benefit from the commercial focus and operational efficiency gains of the recent US restructuring, which is expected to improve US operating margins in the year ahead and deliver stronger design wins and bookings going forward.

Key leadership

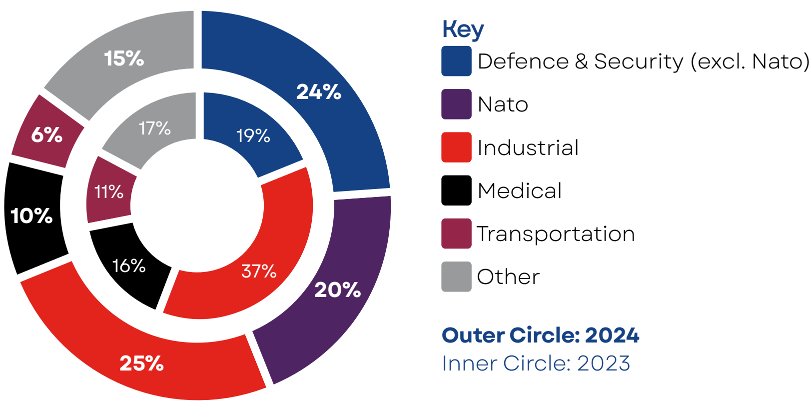
We continue to invest in recruiting new talent in addition to long-term succession and talent development pathways for existing talent. We are pleased to share that we have established a Group Executive Board and continue to strengthen and develop our Senior Leadership Teams that report into the Board. The Senior Leadership Team brings a breadth of experience and skills that will support the Board in executing on strategy delivery.

We continue to progress our gender diversity with the promotion and recruitment of four senior females within the last 18 months, including a Non-Executive Director on the Board.

We have rebranded our Power business unit in the UK as Custom Power and restructured our Systems Division leadership team to enable a more focused approach. We have made significant progress in the recruitment of key sales and technical talent in Custom Power and have focused on building a strong leadership team led by Matthew Richards. Strengthening the team at Custom Power will enable us to take advantage of the significant market opportunities in electrification, autonomy and medical.

Our Engineering teams are critical to the success of the Group and we are proud of attracting and retaining a skilled team that has allowed us to establish a strong foundation in supporting our growth. In FY24, we have 55 engineers across the group with a variety of disciplines and specialisms. We have given more focus on the recruitment of graduate engineers to support the succession planning and talent management processes.

Our Markets



Market as a % of total Group revenue

Chief Executive Officer's Review
continued

Acquisitions

To achieve our strategic goals, the Board recognises that acquisitions are an integral part, and we continue to actively explore attractive acquisition opportunities across our target markets both overseas and in the UK. We have a strong pipeline aligned to our strategic goals with a mix of larger potential targets and smaller specialist businesses to develop our complementary product offering to our customers. We have invested in talent to support the Board in ensuring that the acquisitions we make are the right strategic fit for our Group.

On 31 January 2024 the Group bought out the 25% non-controlling interest giving the Group 100% ownership of eTech Developments, which has been integrated and rebranded as part of our Custom Power business unit. This acquisition significantly enhances the Group's high-power battery capabilities with appropriate safety and power management solutions.

Strategy

The Group's 2030 financial aspirations are to replicate our success seen over the last five years. We are aspiring to maintain circa 20% compound annual growth in Total Shareholder Return ("TSR").

Our strategy to achieve this growth in TSR remains unchanged. We will look to continue to invest in driving organic growth initiatives complemented by strategic acquisitions where it is a lower risk approach to deliver growth in revenues and enhanced operating margins.

We continue to target strategic markets and customers in growth sectors that have high barriers to entry and require accreditation or long-standing credibility where our engineering expertise and specialist skills are valued. By focusing on these value-added opportunities, we are aiming to continue to enhance operating margins by 2030 to 12%.

We are pleased with the progress we have made over the last 12 months in delivering on our 2030 strategy. Our 2030 strategy continues to build on the following four pillars to drive growth:

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

The following key milestones represent important steps in the delivery of our strategy and are cornerstones that our 2030 plans and ambitions will continue to build on:

- Investment in a new production facility in Tewkesbury to support our recently formed Integrated Systems business unit
- The Weymouth electro-optical component manufacturing facility has been certified to ISO13485 for the design and manufacture of medical devices
- Rebranding of the Group including the roll out of the new "Solsta" Brand for our components division

Our markets and business development

The Security & Defence market has been a key driver of growth for the Group this year, owing to the continued increase in Government spending driven by the geo-political environment. Group revenue in this sector contributed to 44% of FY24 (2023: circa 19%). The business has successfully positioned itself in the market as a leading provider with Tier 1 and Tier 2 customers having been established in this sector now for over five decades.

The Executive Board are focusing on developing counterweight markets to Defence & Security over our strategy horizon to 2030, especially in Medical Technology. This sector exhibits many of the characteristics the Group is familiar navigating, such as high barriers to entry, accreditations and development of know how. Planned further growth in the Medical market will be achieved through a combination of organic initiatives and assuming suitable targets can be found through acquisition.

The Group will use this platform to focus on securing higher-value, longer-term projects that benefit from our increasing engineering value-added capabilities.

The medical industry has continued to be strong for the Group this year, with 10% of the revenue for FY24 contributed by this market. Our relationship with Tier 1 customers, such as Siemens Healthcare, and the Group achieving ISO13485 certification at our Weymouth component manufacturing facility, is contributing to the success of the Group in this market.

The Group, in common with our peer group, has seen a softening in the industrial sector. Our diversity of product range however (components, systems, power), with a focus on structural growth markets and our wide customer base in over 50 countries serves to validate the resilience of the group.

The exciting progress and opportunities for mid-term strategic partnerships with our Tier 1 customers provide solid commercial foundations for the next phase of the Group's organic investment and growth plans as the Board looks to deliver on Solid State's 2030 strategy.

Outlook

The Group has secured exciting mid-term opportunities with multiple Tier 1 Security & Defence customers, anchored by a key customer, for which Solid State is investing in expanding its "Integrated Systems" production capabilities. In addition to this, in FY25, we expect to invest in developing the sales channel for the Group's own brand (Durakool, Antenna and Optical) products. The combination of these investments will be a cornerstone of driving mid-term operating margin enhancement and organic growth for the Group.

The Board is pleased with the ongoing delivery of Solid State's growth strategy where the business benefits from the diversity of markets that are adopting its technology, which continues to give the Group resilience. The exciting progress and opportunities for mid-term strategic partnerships with our Tier 1 customers provides solid commercial foundations for the next phase of the Group's organic investment and growth plans as the Board looks to deliver on Solid State's 2030 strategy.

During Q1, order intake has stabilised with the open orderbook levels returned to historically normal levels. The Group has maintained a strong orderbook with our open orders being £89.2m at 31 May 2024, reflecting a small increase from year end.

The de-stocking has continued with Industrial demand in Q1 continuing to be slow; however, the design-in activity across our target markets remain strong and we have a number of exciting opportunities that will underpin our mid-term growth.

Trading in FY24/25 is not expected to be first-half weighted as it was in FY23/24. However, pleasingly, year-to-date trading has been broadly in line with management expectations, which supports management confidence over the full year expectations.

Gary Marsh
Chief Executive Officer

5 July 2024

Business Model

Our business model combines synergies in our global operations and diversity in our technologies and markets within the electronics industry.

It incorporates our industry expertise knowledge, key relationships with suppliers, customers and our people, which enables us to source, design and manufacture products that are built to provide sustainable long-term value-added solutions.

Key resources

Our people

We have an industry-leading team of technology and electronics experts upon which the Group's success is built. They enable us to add value to our customers in supplying our components and system solutions through product agnostic technology-led advice.

Our technology

Specialist components, sub-assemblies, and embedded systems, through to complete integrated electronic solutions.

Domain knowledge

The Group has more than 50 years of industry expertise and domain knowledge upon which it can draw on design-in, high-quality, high-performance, sustainably engineered, components and systems to apply "industry know-how" in solving our customers' problems.

Our relationships

Our supply chain and technology partners and relationships ensure that we can reliably provide technology component and sub-systems at times of need and shortage.

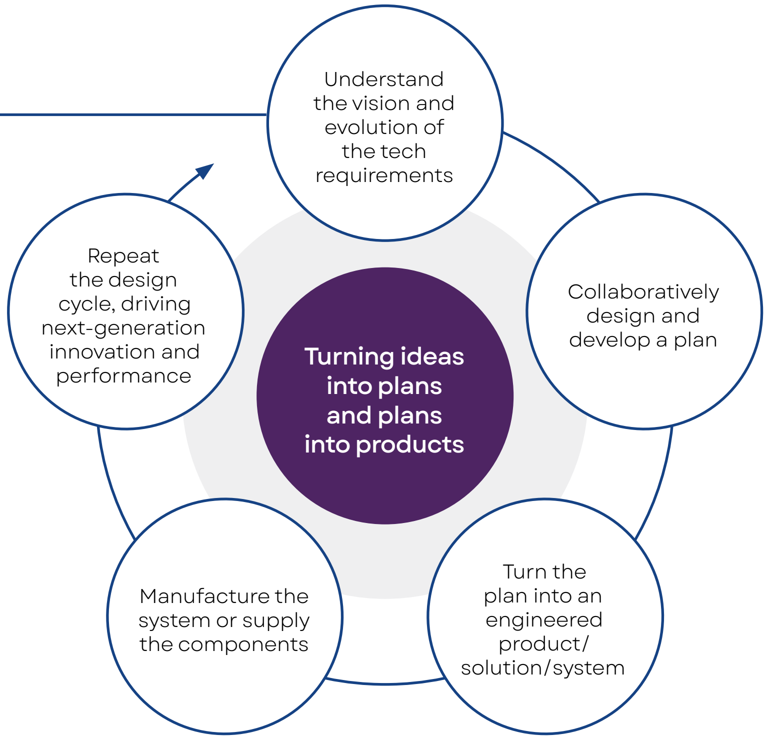
Our culture

The Solid State culture is at the heart of how our teams build relationships internally and externally, which is a cornerstone of how we deliver trusted technology for our customers' demanding applications in the quest for innovation.

Key activities

Design-in engineered solutions for our clients where we partner with clients to turn ideas into plans and plans into products

We are more than an electronic components distributor and systems solution provider. We are trusted experts with the technical knowledge, connections and adaptability to solve the problems our electronic community customers can't solve alone.



How we add value – our divisions

Systems

How we add value to our customers

The Systems division has market-leading capabilities in the design, development, manufacture, supply and support of high-specification systems. The business provides systems solutions across three areas: industrial computing and vision systems, custom battery packs providing portable power and energy storage solutions, and advanced communication systems, encompassing wideband antennas and high-performance radio products.

Components

How we add value to our customers

The Components division's business provides products and services in three areas: own-brand manufactured components, franchised components and the provision of value-added services such as sourcing and obsolescence management. It is a specialist in designing-in innovative, valuable, technical solutions for customers seeking cutting edge, electronic, opto-electronic, electro-mechanical components and displays with market-leading value-added capabilities.

Competitive advantage

1. Unmatched technical knowledge and experience
2. Complete supply solutions leveraging best-of-breed product portfolio
3. Consultative approach with trusted relationships

Value we deliver

Customers

We work collaboratively with customers to meet or exceed their expectations. We leverage our team's technology knowhow, product expertise, system performance delivering innovation and value-added solutions.

Employees

We are committed to delivering high-quality rewarding employment opportunities, maintaining a high level of employee engagement and providing an environment where all employees can fulfil their potential.

Suppliers

We work in partnership with our suppliers to drive innovation and development, designing-in the best technology to deliver the required performance for a given application, securing recurring revenue for us and our suppliers.

Communities and environment

We recognise our role as a local employer, and the importance of our environmental commitments to our local community. Our work with, and for, the communities in which we operate, is a critical part of influencing and maximising our social value.

Shareholders

As a well-established public Company, we are committed to delivering long-term sustainable growth in total shareholder returns through a combination of capital growth and dividend income.

Our Marketplace

The Group actively targets markets with high barriers to entry, requiring accreditations, long-standing reputations and specialist technical design, engineering, test and measurement capabilities. This enables the business to differentiate its offering, and develop long-term symbiotic customer relationships where premium products and services are valued and reflected in the margins.

Our key markets

Industrial

There is a demand for Industrial automation, which has increased the need for electronics to support the adoption of IoT, 5G and AI.

£40.6m

(FY23: £46.8m)

Defence & Security

Working with Tier 1 prime contractors and directly with the end user community to support the geopolitical environment that continues to drive global government spending in Defence & Security.

£72.5m

(FY23: 24.0m)

Medical

Serve the healthcare industry in providing specialist electronic equipment to assist in enhanced patient care, diagnostics and non-invasive surgeries.

£17.1m

(FY23: £20.2m)

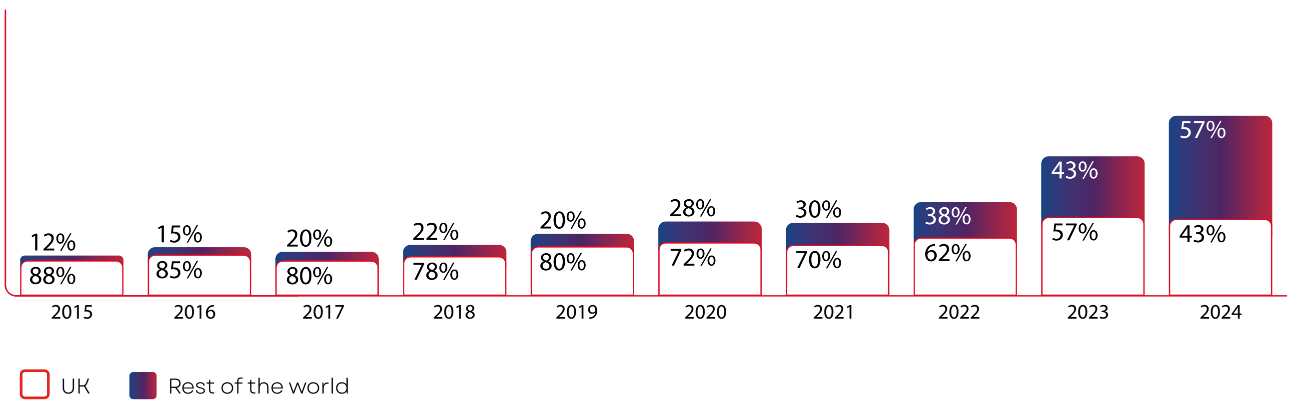
Transport

There is a growing demand for technologies in the transport sector that deliver enhanced safety, autonomy, efficiencies and electrification, areas in which the Group has the skills, experience and resources to benefit our customers.

£9.7m

(FY23: £13.8m)

Revenue mix (%, 10-year period)



Our Marketplace
continued

Industrial

Key trends

Macro trends	Market drivers	Impact	How we are responding
• Smart devices • Connected, wireless systems • Big data	• Industrial automation • Autonomy and robotics • ESG requirements • AI, 5G and IoT • Onshoring • Labour availability • Sustainability	• Machine learning and vision • 5G technology adoption • Smart factories	**Systems** • Embedded computing and vision systems • Portable and off-grid battery power solutions • Products designed to last; meeting sustainability and environmental requirements **Components** • Wi-Fi, Bluetooth, cellular, mesh and narrow band components and systems • Machine vision components • Sensors • Power and switching devices • Embedded processing devices

Defence & Security

Key trends

Macro trends	Market drivers	Impact	How we are responding
• Unstable geopolitical environment • Higher threat environment • Increased spending • Expanded NATO	• Evolving cyber threats • Autonomous systems • Integrated secure communications platforms • ESG requirements • Decision making AI	• Investment in cyber defence technology • Adoption of green tech • Investment in autonomy • Secure communications • Drone solutions • Airborne/surface and subsea	**Systems** • Range of mesh communications radios, embedded computing command and control and TEMPEST products • Suite of RF antenna solutions • Portable and off-grid battery power solutions for autonomous systems • Advanced battery solutions for high-performance drones **Components** • Mil-grade Power supplies • Rad Tolerant PSUs and Filters • FPGA semiconductors and portfolio of military grade displays • Mesh networking modules

Medical

Key trends

Macro trends	Market drivers	Impact	How we are responding
• Increasing life expectancy • Growing population • Increasing use of technology (diagnosis and treatment) • Adoption of medical robots • Reducing pressure on the NHS infrastructure	• Sensing • Robotics • Analytics and AI • Remote patient monitoring	• Internet of medical things ("IoMT") • Medical Robotics • AI augments healthcare processes • Enhanced data analysis • Rapidly expanding use of wearable technology	**Systems** • High-performance embedded computing for medical data processing • High-resolution cameras and communication protocols • Portable and off-grid battery power solutions for medical equipment **Components** • Portfolio of medical-grade optical sensors and detectors • Portfolio of medical-grade displays • Portfolio of medical cameras • Manufacturing facility certified to ISO13485 – medical • Manufacture medical-grade, optical sensors

Transport

Key trends

Macro trends	Market drivers	Impact	How we are responding
• Green transport • Smart transport • Adoption of UAVs1 AUVs2 and UGVs3 • Remote monitoring	• Electrification, ESG requirements • Autonomy • Smart transport • EV infrastructure	• Next-generation smart rail • Enhanced machine vision systems • ANPR adoption • Smart charging • Autonomous transport	**Systems** • Embedded edge computing systems for ANPR • On and off train embedded computing with low latency image capture and processing • Emergency power packs for aircraft lighting systems. **Components** • EV and charging Power switching • Remote vision cameras • Embedded processing • Communication modules and modems supporting all standards • Rail-certified power supplies

Our Strategy

Our mission is to build an agile business of ever-increasing scale and resilience for the shared benefit of all of our stakeholders.

Having delivered on the goal of doubling adjusted diluted EPS in 2022 to 70.6p and achieving 80.7p in 2023, the Board is committed to a 2030 plan to continue to achieve a similar growth and is ambitious to maintain a compound growth in total shareholder return (TSR) to be in excess of 20%. The accelerated growth achieved over the last five years is built upon the strong resilient foundation laid, providing a sustainable and scalable business to underpin the mid and long-term growth in value for all our stakeholders.

The Group's growth strategy is based upon the combination of its organic growth plans and complementary strategic acquisitions. When deciding to progress the strategy through an organic or M&A prospect, the Group will look to progress the opportunity that provides a lower-risk approach aligned to the delivery of our four strategic pillars.

In implementing this strategy, the Group will continue to focus on building on its successful acquisition history and retaining its diverse customer and sector exposure, ensuring Solid State maintains the resilience it has benefitted from in recent times.

Investment and development of talent

Broaden complementary products/ technology profile

Customers and Target Markets

Internationalise the Group

Develop our "own brand" product portfolio

Key strategic pillars

Investment and development of talent

Achievements in 2023/24

- Appointed third independent Non-Executive to the Group Board and established the Executive Board under the Group Board
- Continued progress on improving our gender diversity with the recruitment of four senior female hires within the last 18 months (see page 52 & 53 for further information on our senior leadership team)
- Investment and development of the leadership team in our power business in both the UK and US, including adding engineering talent through eTech, which is now 100% owned

Mid-term strategic goals for 2030

- Continue to establish talent development pathways for existing employees and invest in new talent to establish longer-term succession planning
- Develop partnership with academic partners to secure talent pipeline
- Scale our Engineering capability to form a dedicated engineering team to service Tier 1 primes as the System Provider of choice for through life engineered service and support

Broaden complementary products/ technology profile

Achievements in 2023/24

- Significant strong performance in Security & Defence built off the back of previous investment, capabilities (EMC and engineering) and recruitment of talent with defence experience
- Significant investment in R&D adding complementary technology and product capabilities to meet demanding customer requirements
- Closure of the energy intensive production site and identified end of life legacy products, allowing us to continue selling relays and reduce the cost base

Mid-term strategic goals for 2030

- Establish a new facility in 2025 to enable delivery of larger complex integrated systems, initially underpinned by demand from the defence/security sector with programmes extending to 2040 and beyond
- Develop our portfolio of complementary franchised products available to supply into the US components sales channel.

Internationalise the Group

Achievements in 2023/24

- Adopted the strengthened Custom Power brand across the UK & USA providing global power solutions
- Reorganised US Components business establishing a robust and scalable go to market channel
- Secured a US franchise agreement with Digi enabling Solsta to sell into the US market

Mid-term strategic goals for 2030

- Develop our international components sales channels
- Investigate high-growth opportunities in other overseas markets and position to take advantage of them
- Establish USA antenna production capability to drive market penetration and organic growth

Develop our "own brand" product portfolio

Achievements in 2023/24

- Rebranded and refocused Components Division around the Solsta brand to provide consistent clear brand, both internally and externally
- Established a suite of standard Custom Power-branded Battery packs, which are targeting emerging markets that traditionally selected lead acid batteries
- Continued to enhance and develop the Steatite antenna branded product.

Mid-term strategic goals for 2030

- Develop the sales channels for the Group's own brand products with Custom Power (batteries) Active Silicon (vision systems), Durakool (power switching) and Pacer (optical)
- Develop the portfolio of complementary "own brand" products to continue to drive margin enhancement
- Maximise the visibility and profile of the Group's go-to market brands, based on the Group's rebranding

Our Strategy
continued

M&A

The Group has a clear and focused approach to investigating M&A opportunities, aligned with the strategy.

In implementing this strategy, the Group will continue to focus on building on its successful acquisition history and retaining its diverse, customer and sector exposure, ensuring Solid State maintains the resilience it has benefitted from in recent times.

Why and how we do M&A:

- Capital allocation decision between organic investment vs M&A investment
- Delivering on the strategy and minimising risk
- Lower-risk approach through M&A rather than organic penetration into a market
- Rigorous due diligence

M&A selection criteria:

- Alignment with four pillars of our strategy
- Culture, people and capabilities are critical
- Alignment of target markets
- Financial performance drives pricing
- Opportunities to accelerate organic growth, post completion

Potential areas for M&A:

- UK systems technology production capacity
- EU sales channel
- US communications production capability
- Augment own brand portfolio
- Regional power factory/service centres

Our Acquisition Timeline

1971
Solid State PLC
Company founded

1996
London Stock Exchange
Listed

2002
Steatite – Computing, Batteries & Systems
Established 1938
£1.3M

2005
Wordsworth – Computing, Systems
£1.8M

2007
RZ Pressure – Battery Power, Systems
£1.3M

2010
Rugged Systems – Radio Comms, Systems
£0.2M

2011
Blazepoint – Rail Printer, Systems
£0.2M

2013
Q Par Angus – Antenna, Comms, Systems
£1.0M

2013
2001 – Semiconductor, Components
£2.0M

2015
Ginsbury – Display, Components
£2.1M

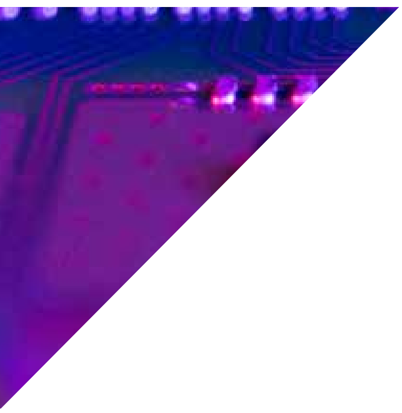
2016
Creasefield – Battery Power, Systems
£1.6M

2018
Pacer – Optoelectronics, Components
£3.7M

2021
Willow Technologies – E-Mech Components – £13.1M

2021
Active Silicon – Machine Vision, Systems
£8.9M

2022
Custom Power – Battery Power, Systems
£32.9M



> "Strategic acquisitions have brought technical expertise, new products, a broader geographical footprint and industry talent."

Chief Financial Officer's Review

Peter James
Chief Financial Officer

> "Solid State has prudently leveraged its balance sheet strength to support its cashflow requirements in delivering on a strong orderbook and its growth ambitions."

Revenues

Group revenues of £163.3m (2023: £126.5m) are up 29%. The impact of currency has been a revenue headwind of circa £5.3m with the average USD rate for the year being $1.26:£1 (FY23: $1.20:£1), offset by a full year of Custom Power, which means like-for-like organic revenue growth is in excess of 25%. This reflects the benefit of the Systems revenue initially expected to be delivered in FY25 as noted below.

The Systems division reported revenue of £103.5m (2023: £57.5m), meaning constant currency like-for-like revenue growth is more than 65%. This exceptional growth has primarily been driven by customer demand for our communications products, where we saw strong deliveries in both the first half and late in the year where we delivered circa £10m of product in March FY24 as reported in our trading update.

The Components division achieved revenues of £59.8m (2023: £69.0m) reflecting the impact of the currency headwinds combined with the unwind of the industrial stocking which benefitted FY23. The ongoing work securing new design-ins, combined with the open orderbook, provides confidence that the underlying growth drivers remain and mid-term prospects are robust, although, as previously reported, the impact of destocking is continuing as we enter FY25.

Gross profit

Reported gross profits of £51.8m (2023: £39.7m) are up 30.5%, £12.1m year on year. The gross margin percentage is broadly stable at 31.7% (2023: 31.4%). Adjusted gross profit for the year is up £12.1m to £51.8m (2023: £39.7m).

In managing foreign exchange risk, we look to mitigate exposure by quoting in the currency of main supply when possible. The Group benefits from being largely naturally hedged against foreign exchange movements at a gross margin level. In the current year, the revenue headwind results in a margin percentage tailwind of circa 1%. This, combined with the higher margin Systems revenue increase from 45% in FY23 to 63% in FY24 as a proportion of the Group revenue, offsets the dilution of underlying margins within both divisions.

Systems contributed gross margin of £38.9m (2023: £22.2m), reflecting the impact of the strong radio communications products revenue. The high proportion of this revenue diluted the overall margin % by circa 1.1% in the Systems Division, albeit the margins remain strong.

Components contributed adjusted gross profit of £12.9m (2023: £17.5m). The margin % is down circa 3.8% as a result of £1.0m of additional costs arising from an increase in stock provisioning and stock write-offs following closure of the legacy USA production line, combined with a weaker revenue mix in the year.

Adjusted operating margin
10.4%

Sales, general and administration expenses

Sales, general and administration ("SG&A") expenses increased to £38.1m (2023: £30.3m). Within SG&A, there were reorganisation, acquisition-related and share-based payments charges totalling £3.4m (2023: £2.1m). These items have been added back in reporting our adjusted performance (see Note 30) and are made up as follows:

- £0.0m (2023: £0.3m credit) from the Active Silicon earn-out provision true up
- £0.7m (2023: £0.3m) in relation to acquisition fair value adjustments, reorganisation and deal costs
- £1.8m (2023: £1.6m) amortisation of IFRS3 acquisition intangibles
- £0.8m (2023: £0.6m) share-based payments charge
- £0.0m (2023: £0.1m) Imputed interest charges

Adjusted SG&A expenses on an underlying basis increased by £6.7m to £34.8m (2023: £28.1m).

This reflects non-recurring costs of circa £1.0m in relation to the closure of the AEC production lines where legacy end-of-life devices have been migrated to modern technology solutions.

The full year impact of Custom Power (adding circa £2.0m) and the remaining increase of circa £3.9m reflects the impact of inflation and our planned investment to attract new, and retain our existing, talent as we look to enhance our technical expertise and deliver growth.

Operating profit

Adjusted operating margins increased to 10.4% (2023: 9.2%) with adjusted operating profit up to £17.0m (2023: £11.6m) reflecting the benefit of the revenue growth in the period and the associated operational gearing as well as the benefit of the increased RDEC tax credit within operating profit rather than the tax line.

Reported operating profit was up 45.7% to £13.7m (2023: £9.4m). The adjustments to operating profit are set out in further detail in Note 30.

Based on the simplified R&D regulations, the Group is now a large company in terms of the classifications for UK R&D tax benefits. Under the updated large company scheme, we have recognised £0.28m (2023: £0.29m) within operating profit in respect of an R&D expenditure credit ("RDEC"). These development programmes are a cornerstone of the Group's future high-value-added revenue streams.

Profit before tax

Adjusted profit before tax was up 44.4% to £15.6m (2023: £10.8m). Profit before tax was up 45.2% to £12.2m (2023: £8.4m). This is reported after adjusting items totalling £3.4m (2023: £2.4m) of which £Nil (2023: £0.1m) is charged to cost of sales and the balance is within SG&A and interest set out above.

Profit after tax

The Group's underlying effective tax rate for the year is 25% (2023: 21%) compared to the standard rate of 25% (2023: 19%) in the UK.

The effective tax rate has increased primarily because of two factors: the RDEC tax credit recognised within other income and an increase in taxable profit diluting the benefits of R&D tax credits.

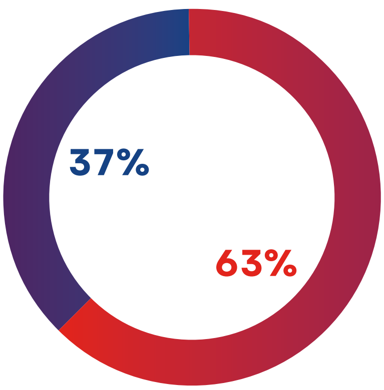
Adjusted profit after tax was up 36.0% to £11.7m (2023: £8.6m). Profit after tax was up 32.8% to £8.9m (2023: £6.7m).

The corporation tax rate in FY24/25 is currently expected to remain at 25%, albeit post the election in the coming days this may well change for future periods.

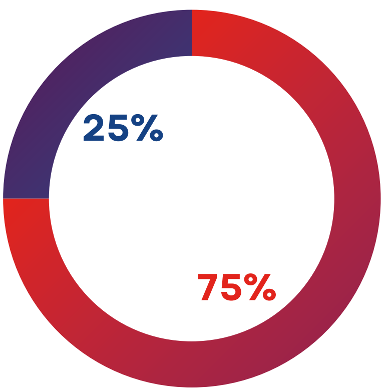
EPS

Adjusted fully diluted earnings per share for the year ended 31 March 2024 is up 23.7% to 99.8p (2023: 80.7p). Reported fully diluted earnings per share is up 20.4% to 76.0p (2023: 63.1p).

Revenue



Gross Profit



Key
Systems
Components

Chief Financial Officer's Review
continued

Dividend

The Board is proposing a final dividend of 14.5p (2023: 13.5p) for approval at the Annual General Meeting, giving a full year dividend of 21.5p (2023: 20.00p) as set out in the Chairman's statement on page 11.

Cash flow from operations

The strong close to the year with the shipment of communications products has resulted in a significant increase in trade receivables offset, in part, by the reduction in inventory. When this is combined with the reduction in trade payables it results in a working capital outflow for the year of £5.6m. This results in a full year cash inflow from operations of £14.3m (2023: £9.4m).

The adjusted operating cash conversion percentage (cash generated from operations/ adjusted operating profit) for the full year is 84% (2023: 100%).

The increase in receivables and reduction in inventories and payables reflects a relatively short-term investment due to the significant shipments at the end of the year. Post year end, we have seen a working capital unwind of circa £4.5m.

During the period, we paid taxes of £3.3m (2023: £0.4m) as a result of settling last year's corporation tax liabilities combined with the additional profitability moving some of our Group entities into the very large company scheme, which requires us to make accelerated payments on account during the year.

Investing activities

During the year, the Group invested £1.5m (2023: £1.1m) in property, plant and equipment, and £1.3m (2023: £1.2m) in software and R&D intangibles. The Group's capital expenditure programme saw an increase in the Systems R&D investment, finalising the upgrade to our UK Power facility and continuing to enhance our test and measurement capabilities.

In the Components division, there was continued investment to integrate the Willow businesses and roll out consistent software systems. Furthermore, across the Group, we have continued our programme to replace older vehicles with hybrid and electric models.

There are capital commitments of £0.0m (2023: £0.2m) at the balance sheet date; however, post year end we are in the process of investing circa £1.0m to £1.5m in setting up a new site for our integrated systems team near Tewkesbury.

In the first half of the year, we settled the outstanding deferred and contingent consideration liabilities of £5.5m in relation to Active Silicon and Custom Power in full. A reconciliation of deferred contingent considerations of £Nil (2023: £5.7m) is included in Note 21.

Adjusted operating cash conversion

84%

Financing activities

The Group received proceeds for issuances of £0.1m (2023: £27.0m) and paid out £Nil (2022: £0.1m) for purchase of own shares into treasury.

The financing activities reflect loans drawn down of £2.1m of our multi-currency overdraft, offset by loan repayments of £3.7m, which includes the four quarterly repayments on the term loan totalling £1.3m plus the repayment in full of the RCF totalling £2.4m.

Solid State continues to have a strong relationship with Lloyds Bank. Lloyds authorised a $6m additional working capital short-term overdraft subsequent to year end, ensuring the Group has facility headroom should there be any working capital delays arising from the NATO contracts previously announced, which was not utilised. Furthermore, Lloyds have extended the term of the £10.0m (2023: £7.5m) Revolving Credit Facility ("RCF"), which is now committed until 30 November 2025. At 31 March 2024, the RCF was not drawn (2023: £2.4m drawn).

Interest charges in the period totalled £1.3m (2023: £0.9m) reflecting the higher interest rates during the year.

The Group has entered or extended leases during the period, which has resulted in the recognition of £2.7m (2023: £0.1m) of additional right-of-use assets with a corresponding right-of-use liability, in accordance with IFRS16. Cash payments were made in the period in respect of lease liabilities of £1.2m (2023: £1.1m).

In the second half of the year, the Group bought out the non-controlling interest in eTech Developments Limited for £0.2m making this operation wholly owned by the Group. Post year end, this has enabled the Power engineering team to be brought together under the rebranded Custom Power UK Brand.

The Group continued to maintain its progressive dividend policy, which resulted in payments of £2.3m (2023: £2.2m) in respect of dividends.

Statement of financial position

During the year, the Group has continued to strengthen its balance sheet position. The Group's net assets have increased to £64.6m (2023: £58.0m), primarily reflecting the £8.9m income for the year, less £0.7m foreign exchange less £2.3m dividends paid plus the share-based payments credit of £0.8m.

As a result of the customer demand for our communications products, which we were able to fulfil at the end of the year, the Group inventory has reduced to £25.1m (2023: £33.2m); however, trade and other receivables increased to £31.5m (2023: £19.7m).

As previously reported, the Group continues to pay suppliers on a proforma basis where required to secure inventory in short supply; however, the strength of customer and supplier relationships has helped us to manage the cash challenges of the working capital investment effectively.

We have worked in partnership with customers who have, in many cases, made payments in advance to safeguard supply. The investment to secure product continues to be critical to manage the shortages ensuring product is available to fulfil customer demand. This approach has given us a competitive advantage, strengthened customer relationships and helped to secure growth.

Excluding deferred contingent considerations and IFRS16 lease obligations, the Group had a net debt position with banks of £4.7m at the year end (2023: £2.4m) having paid the final £5.5m of consideration for the acquisitions of Custom Power and Active Silicon. At 31 March 2024, the discounted fair value of the Group's deferred consideration liabilities were £Nil (2023: £5.7m). Therefore, the total year-end net debt* reduced by £3.4m at £4.7m (2023: £8.1m).

Following our prior year results, we have aligned our definitions of "Return on Equity" (ROE***) and "Return on Capital Employed" (RoCE**) with industry peers.

Pleasingly, as reported on page 2 both metrics have shown good progress in the year with the improved profitability of the Group.

Peter James
Chief Financial Officer

5 July 2024

* including deferred consideration excluding right-of-use lease liabilities.

** defined as adjusted operating profit divided by average capital employed which is calculated as average net assets less net debt for the last two periods.

*** defined as reported profit after tax divided by total equity.

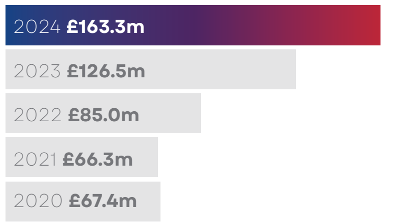
Key Performance Indicators

Financial KPIs

The following key performance indicators are used by the Group to monitor performance, working capital and forward prospects.

Revenue

£163.3m



Definition

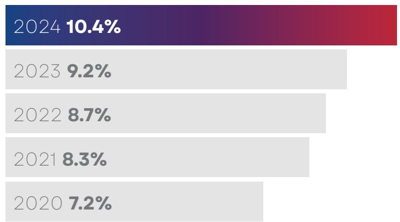
Revenue is measured as the value, net of sales taxes, of goods sold and services provided to customers.

Reason for choice

This is a key driver for the business, enabling us to track our progress in driving growth.

Adjusted operating profit margin

10.4%



Definition

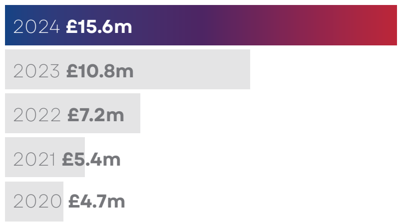
Earnings before interest, tax, amortisation of acquired intangibles, acquisition costs and other adjustments for one-off non-recurring items divided by revenue.

Reason for choice

Adjusted operating profit margin provides a consistent year-on-year measure of the trading performance of the Group's operations to enhance the quality of the earnings.

Adjusted profit before tax

£15.6m



Definition

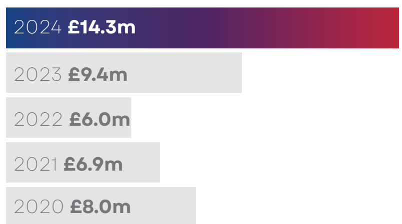
Profit before taxation, amortisation of acquired intangibles, acquisition-related costs and charges, share-based payments and other adjustments for one-off non-recurring items.

Reason for choice

This measure is the critical metric that the operational management control and influence delivering profit. This in turn drives the total return achieved for shareholders.

Cash flow from operations

£14.3m



Definition

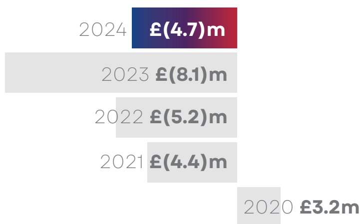
Cash flow for operating activities, excluding investing and financing activities.

Reason for choice

This provides a measure of the cash generated by the Group's trading and provides visibility of the cash impact of the working capital investment decisions. It represents the cash that is generated to fund capital expenditure, interest payments, tax and dividends.

Net debt

£(4.7)m



Definition

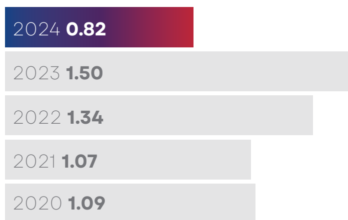
Cash less borrowings less deferred and contingent consideration obligations, excluding rights-of-use lease obligations.

Reason for choice

The Group has financial covenants agreed with its lenders that are based on this definition of net debt, making it KPI monitored to ensure compliance. Furthermore, net debt is used to monitor the Group's leverage position and ensure the Group maintains an appropriate capital structure.

Book to Bill (rolling 12M)

0.82



Definition

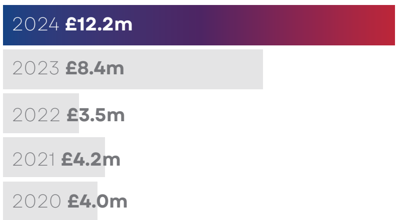
Last Twelve Months ("LTM") order intake divided by LTM Revenue.

Reason for choice

Monitoring the book to bill ratio provides a metric to monitor growth in the open orderbook and, therefore, the prospects for sustainable growth. While the LTM basis does eliminate some of the short-term, month-to-month volatility, it should not be monitored in isolation from the absolute revenue and open orderbook as variations in bookings and billings will impact the ratio.

Profit before tax

£12.2m



Definition

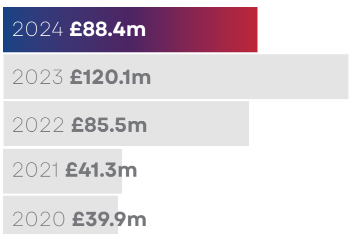
Profit before taxation

Reason for choice

This measure is the critical statutory metric that the operational management control and influence, delivering profit to drive the total return achieved for shareholders.

Open Orderbook

£88.4m



Definition

Firm scheduled orders.

Reason for choice

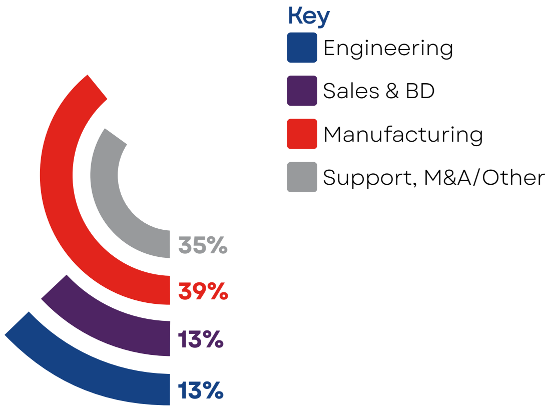
The open orderbook provides the leading indicator of the business we have to deliver in the coming periods.

Non-financial KPIs

The following key performance indicators are used by the Group to monitor key non-financial performance and link to our strategic success.

Employee numbers

Total: 433



Definition

Employee headcount split

Reason for choice

This is to provide transparency on how our headcount is split between technical and non-technical employees.

Yr on Yr Gender diversity

Definition

Gender diversity split.

Reason for choice

To highlight how diverse our organisation is between females and males, enabling us to track our progress in driving an equal balance in diversity.

Key
Male
Female

S172 Statement

The following disclosure describes how the Directors have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and, in doing so, have regard (amongst other matters) to the factors set out in section 172(1).

When performing their duties under section 172 of the Companies Act, they have considered the long-term consequences of decisions, matters affecting the Company's employees and other stakeholder relationships, and the need to act fairly between members of the Company.

The Board has identified the key stakeholders to be its investors and shareholders, employees, customers and industrial partners, suppliers and our community.

Stakeholder engagement

Overview	Stakeholder focus	How we engage	FY24 decisions that impacted our stakeholders
Investors and shareholders			
The Board continues to maintain a strong relationship with our shareholders and seeks to promote an investor base that is committed to a longer-term holding in the Company. **The Board ensures that all decisions are aligned to delivering shareholder value and, therefore, is committed to having a balance between investment for growth and investor return.**	• Our ambition and strategy • Financial performance • Environmental, Social and Governance commitments and practices • Culture, ethics and values	We communicate to our investors and shareholders on a timely and regular manner through: • Year end and half year results, press releases, and stock exchange announcements • AGM for shareholders • Company website, videos and presentations • Investor roadshows, capital markets day and Investor Meet Company platform investor presentations • Investor open days/site visits • Regular meetings with corporate brokers, major shareholders, analysts and lenders	• Approval and communication on the appointment of Sam Smith as a Non-Executive Director and Lyn Davidson as Company Secretary • Formation of the Executive Board • Absorption of eTech Developments into the Group • Closure of the legacy energy intensive production line • Communicating financial results and performance
Employees			
Our people are fundamental in achieving our strategic goals. We are proud of the Solid State culture and recognise that retaining a knowledgeable and skilled workforce is crucial in the growth of our business. **The safety, wellbeing and development of our people is critical to our success and, therefore, we work closely with our employees to ensure that the workplace is an engaging and safe environment.**	• Safety and wellbeing • Diversity and inclusion • Retention, training and progression • Recognition and reward • ESG commitments and practices	We engage with our employees through several channels: • Regular leadership meetings to provide the opportunity to engage and receive feedback • Q&A sessions during site visits by the executive team • New employee induction and ongoing feedback and surveys • Employee training and policies	Leadership and talent development: • Recruited Sam Smith as an additional Non-Executive Director in the UK • Established a Group Executive Board • Promoted Lyn Davidson as the new Company Secretary • Invested in Power division leadership team • Added engineering talent by absorbing eTech into the Group Communication: • Leadership site visits • Town hall meetings • Financial results and performance updates • HR roadshow • Options awarded to employees under the AESP share plan

Overview	Stakeholder focus	How we engage	FY24 decisions that impacted our stakeholders
Customers and industrial partners			
Our technical knowledge and collaborative approach with customers and industrial partners allows us to provide innovative and advanced solutions. **The Group works closely to understand the specific requirements of our customers, which allows us to design-in, supply and manufacture to the highest quality.**	• Technology partner providing product/component innovation and development • High-quality, safe products and systems delivering value • Delivering on programme management, meeting supply requirements and contract service and support • Value-added relationships with our direct and reseller sales network • ESG commitments and practices • Maintaining the highest levels of customer satisfaction	Our commercial engagement is built upon: • Customer engagement providing a technology partner relationship for customers • Proactive in designing our current solutions out to deliver technology innovation and performance adding value to our customers • Exhibitions and roadshows to showcase our products • Actively engaging with and receiving customer feedback	• Building relationships with new and existing customers and industrial partners associated with Power business • Delivering our ESG strategy • Supply Chain diversification and enhancement, to improve the communication of the timeline of deliveries
Suppliers			
The Group's extensive supply chain relationships with component manufacturers and technology partners are critical to ensuring that the Group can meet the customers' technical requirements for their specific application.	• Managing supply chain expectations • Insight on market demand • Feedback on quality and reliability • Engaged value-added working relationship • Fair commercial terms and payment for products and services • ESG commitments and practices	Long-term supplier partnerships are established through: • New supplier due diligence and provision of Group policies • Continuous and open communication between our team and key suppliers • Regularly engaging with the Group's suppliers on critical issues and visibility of demand • Engagement on quality, performance, price and how to improve the supply chain relationship	• Supply Chain diversification and enhancement, to improve the communication of the timeline of deliveries • Internationalising our commercial supplier partnerships to cover additional territories • Ongoing supplier diligence to ensure robust and reliable supply
Community			
Solid State continues to engage with local communities in a responsible manner and recognise the importance of our role as an employer in the communities we operate in.	• Positive influence on local communities • ESG commitments and practices • Engagement to enhance the partnership • Investment in job creation	We strive to make a positive contribution in the communities we operate in by: • Participating in local community sponsorship and charitable events • Foodbank contributions • See further details in the ESG section page 36	• Continued involvement in activities within the community. See page 36 for further details • Closure of the legacy energy intensive production site

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ESG – Overview

The Solid State Board is committed to creating a long-term sustainable business.

Our focus on ESG is a core part of our strategy and is integrated in all areas of our business. The Group is focused on ensuring we operate in an ethically, socially, and environmentally responsible way: "Doing the right things the right way".

Our ESG Committee continues to evaluate and provide recommendations on how we can progress and deliver against our goals. The ESG Committee ensures we continue to make progress in improving our sustainability and challenging ourselves in making timely changes that benefit all stakeholders.

The Board has a clear focus on making a positive impact with our stakeholders on all three areas of ESG.

Environmental

- Reduce consumption, reduce waste
- Improving sustainability of products and solutions for our customers
- Improving sustainability of sourcing from suppliers

Social

- Health, safety and wellbeing of our people
- Promoting equality, diversity and inclusion
- Supporting our communities and STEM outreach
- Engaging our people, promoting learning and development

Governance

- Corporate governance framework
- Code of conduct including anti-bribery and corruption
- Business ethics and integrity

We have aligned our ESG goals with the United Nations Sustainable Development Goals. These being:

Relevance to Solid State PLC	Progress so far
The Group continually works with, and for, the communities in which we operate, recognising our role as a local employer.	• Support local foodbanks • Sponsor local YMCA all year round • Employees participating in charitable events • Sponsoring grass roots community sports team • We are a proud signatory of the armed forces covenant and support the military veterans working for our business
The Board continues to actively promote a safety-first culture. We track accidents and incidents and have a global target to reduce our incident rate to zero.	• Provide training and share resources to our employees regarding mental and physical wellbeing • Access to wellbeing at work support programme for employees and their families • Promoting a culture of inclusivity and a safe place to work by actively reporting all safety observations and incidents • Safety audits, risk assessments and regular awareness training
We are committed to maintaining a high level of employee engagement across all sites and providing an environment of equality where all employees can fulfil their potential.	• Board promotes the “Solid State family” culture, which is welcoming, friendly and supportive of all members of the team • Provide formal and informal training for all our employees • Reviewing and updating appropriate policies within the business such as flexible working, promoting equality and diversity and equal pay • Providing opportunities for our employees to develop and progress in their roles
The Group’s strategy continues to focus on economic growth for all our stakeholders through acquisition and organic growth.	• Successful history of providing our shareholders with total shareholder return in excess of 20% • Increased our headcount to over 400 employees • Improved margins and increased added value contribution for all our stakeholders • Recruitment of new talent into the team
The Board is committed to providing our customers with sustainable products and encourage sustainable innovation during the design process of our products.	• Strong starting position as our products are designed and engineered to be high quality, often upgradable, with a long life to meet demanding customer requirements • We aim to ensure we deliver secondary benefits for our customers as our products and technology strive to be more sustainable than incumbent technology solutions
The Group’s environmental objectives are to reduce consumption and to reduce waste.	• Products we supply and manufacture are long-life, high-performance and high-quality premium products • Design-in products to deliver value and reduce consumption or waste for our customers
Solid State PLC is committed to achieving net zero by 2050 in Scopes 1 & 2.	• Compliant with WBAR 2009 and WEEE Directive • Relatively light energy business and none of the Group’s waste goes to landfill • Transitioning to low-carbon hybrid or electric cars • Focus on increasing our use of sea freight in preference to air freight

Environmental

Overview

Solid State PLC recognises we have a responsibility in protecting our planet by reducing our environmental footprint and protecting the community in which we operate. We are committed in supporting the global journey in addressing climate change and we are pledging to mitigate our own impact on the environment.

Solid State PLC's Emission Plan

Our Strategy	Reduce Consumption and reduce waste	How we monitor and manage the risk
Scope	Scope 1 & Scope 2	Scope 3 – indirect emissions with our value chain
How it impacts Solid State PLC	Direct greenhouse ("GHG") emissions occur from sources that are controlled or owned by Solid State PLC. Indirect GHG emissions associated with the purchase of electricity, steam, heat and cooling.	All the emissions associated, but not wholly owned by the Company itself, but that the organisation has a shared responsibility for up and down its value chain.
Our targets	The UK and US Governments have committed to the respective grids being green by 2035. Providing the UK and US governments meet their commitments, our strategy will result in our Scope 1 and 2 emissions being eliminated by 2050.	Solid State is committed to working with its supply chain partners to ensure they are able to achieve net zero in scope 1&2 by 2050 which will eliminate our scope 3 emissions.
How we will achieve our strategy	**Near term** Minimise CO_2e from electricity use by: • switching electrical equipment off when there is no business benefit to leaving it on; and • considering the environmental impact of new electrical equipment unless there are other compelling business reasons not to do so. Minimise CO_2e from gas use by ensuring that the temperature in our workplaces is adequate but not excessive, and any warm-up times are reasonable. Minimise CO_2e from the use of company vehicles by: • reducing average CO_2e emissions of the fleet; and • reducing the amount of company miles travelled by considering other alternatives to travel where feasible. We will continuously challenge the status quo and look for other opportunities to reduce wasted energy. **Medium term** All new company vehicles will be battery powered unless operational constraints make this unworkable. If there is no low carbon alternative for gas for heating by 2040, we will change to electric heating in all Business Units.	**Near term** Freighting goods is one of our largest emissions. Solid State PLC is committed to minimising CO_2e from air freight by working with our customers to move from air freight to sea freight when possible. **Applying Waste Hierarchy to reduce waste** We are reviewing the green credentials of our website hosting platforms and any external data storage providers we use to ensure our carbon footprint in these areas is minimal. We are evaluating and adopting smart practices such as more efficient data archiving and more stringent information housekeeping to reduce the amount of data we store. **Long term** Freighting goods is currently predicted to be one of our largest emissions. Although leading freight carriers, such as DHL, are making great strides in decarbonising their processes, e.g. battery vehicles, cleaner fuel for aircraft, etc., there is still great uncertainty in this area. There is currently no clear path to net zero by 2050 although as new technologies and cleaner fuels emerge this may change. Our plan is to diversify our supply chain to open up new opportunities and work with all our partners to reduce carbon. We will continue to keep an open mind and review new options, including the use of carbon offsets as they arise, to meet our commitment to net zero by 2050. We currently have a relatively small footprint for business miles in private vehicles. Waste processing currently accounts for a very small proportion of our overall emissions. We will diversify our supply chain to open up new possibilities and work with all our partners to reduce the amount of waste in our supply chain. The vast majority of our employees currently commute by car. By 2050 only cars older than 25 years will still be non-electric. Where this is the case, we will consider taking actions to encourage the change to electric vehicles and share the responsibility with the employees concerned including the use of carbon offsets to meet our commitment to net zero by 2050.
Challenges		Achieving net zero from freighting goods looks likely to be one of our biggest challenges. Bringing in all the carbon information to fully understand our carbon footprint is challenging, but we are currently making good progress on capturing data from work from home, business miles in private vehicles and freighting goods.

Scope 1 and Scope 2 emissions

As a company quoted on AIM and subject to the reporting requirements for large companies under the Companies Act 2006, the Group is required to report its Scope 1 and Scope 2 CO_2e. The table below presents our Scope 1 and Scope 2 emissions and intensity metric.

Emissions for the Group are calculated using methodologies consistent with the Greenhouse Gas ("GHG") Protocol: A Corporate Accounting and Reporting Standard.

Data has been collected for the following CO_2 emission sources: electricity consumption; gas consumption; water consumption; company-owned vehicles and waste processing. In collating this data, we have utilised the 2022 conversion factors (2022: 2020 conversion factors) to obtain a figure for the CO_2 consumption of the Group compared to the baseline reported. We have started to apply US conversion factors to our US operations in FY24 and we have restated FY23 figures for comparison.

Added value is used as the intensity ratio (CO_2e/£1M added value). The Group defined "added value" as the "gross margin" as it is believed that this best represents business output.

	FY20		FY21		FY22*		FY23**		FY24**	
	UK and offshore	Global (excl. UK and offshore)	UK and offshore	Global (excl. UK and offshore)	UK and offshore	Global (excl. UK and offshore)	UK and offshore	Global (excl. UK and offshore)	UK and offshore	Global (excl. UK and offshore)
Total Scope 1 emissions (tCO_2e)	284.03	0.00	116.20	0.00	145.95	71.52	135.50	60.60	**129.76**	**79.28**
Total Scope 2 emissions (tCO_2e)	139.79	6.26	101.47	2.86	128.01	130.32	111.17	276.40	**123.69**	**285.07**
Total Scope 1 and 2 emissions (tCO_2e)	423.82	6.26	217.67	2.86	273.96	201.84	246 .67	337.00	**253.45**	**364.35**
Energy consumption (kWh) resulting in the above reported emissions	1,843,758	24,505	1,015,162	12,266	1,332,277	999,865	1,246,293	1,132,338	**1,261,764**	**1,269,977**
Intensity ratio (tCO_2e per £m of Added Value)	20.9		11.3		17.30		14.98		**12.68**	

* Includes Active Silicon, Willow and AEC
** Includes Active Silicon, Willow, AEC and Custom Power. FY23 has been restated using the US conversion factors

Environmental strategic highlights

We are pleased to report a reduction in our Scope 1 and Scope 2 emissions for our UK and offshore operations, equating to a 40% reduction from 2020, albeit a marginal increase from 2023 primarily driven by the grid being 9% less green than in our previous year. The progress to our environmental strategy includes minimising CO_2e from:

- Electricity use – by switching electrical equipment off when there is no business benefit to leaving it on.
- Gas use – by continuing to focus on our mid-term investment to convert gas heating solution to electric heating solutions aligned with the government's commitment to the grid being green by 2035.
- Airfreight – by working with our customers to move from airfreight to sea freight where lead times/other operational constraints allow or purchase closer to the business unit where possible.
- Use of company vehicles – by reducing Average CO_2e emissions of the fleet, and minimising company miles travelled by considering other alternatives to travel where appropriate.

The increase in our CO_2e in Global operations in FY23 and FY24 is driven by the full year impact of acquiring Custom Power as well as applying US conversion rates, which are higher than UK conversion rates.

Our overall baseline intensity ratio has continued to decrease from 20.9 Tonnes in our base year to 12.68 Tonnes in FY24. We continue to evaluate how we best approach capturing the data from our Scope 3 emissions. This is an important step in continuing to deliver on reducing the Group's carbon footprint and working towards achieving our net zero target.

Task Force on Climate-related Financial Disclosures (TCFD)

Currently, the requirement to report on TCFD matters is obligatory for all premium listed companies; Solid State PLC are not premium listed and, therefore, this is not a requirement for us.

However, we do recognise the importance of reporting on TCFD and it is an objective of the Board to prioritise this going forward. Our ESG Committee, which was formed during the last financial year has made excellent progress in driving change in the organisation and holding the Group accountable and will continue to review and implement changes where necessary.

Social

Key highlights

- Introduced an EV salary sacrifice scheme in the UK as an additional benefit for employees, also helping to reduce our carbon footprint
- We have increased our life assurance cover, holiday and pension benefits to better look after our employees and their families
- One third of the Board and senior leadership team is now female
- Established a Wellbeing Committee chaired by the Group HR Director
- We have established a short-term hardship scheme to provide support to our employees who are facing unforeseen financial difficulties
- Involved in the Local Skills Improvement Plan (LSIP) in Worcestershire to support the county in identifying skills gaps
- Increased uptake on development courses using the apprenticeship levy, with six additional people enrolling in courses
- Supported local schools to promote STEM through the VEX robotics programme
- Continuing to support the local community in charitable events
- We continue to be a proud signatory to the Armed Forces Covenant with the aim to encourage military veterans to apply for positions and support veterans working for our business

Solid State is a people business and recognises the value our employees play in the Group's success. Our people embody a growth mindset within a culture of sustainability and continuous improvement. We value integrity, openness and respect for others. The Group understands the important role its employees provide, and that effective teamwork is critical to achieving its corporate goals.

The Group is proud of its Solid State culture and is committed to creating an environment that is considered to be a "great place to work" where the teams' actions and behaviours demonstrate this commitment each and every day. We ensure that all employees are treated with respect and promote a collaborative teamwork environment in which all voices are heard.

Employee engagement

The Board is committed to ensuring that all employees feel connected and engaged and can work in an environment in which our people can deliver on their full potential.

The senior leadership team make regular visits across all the sites to ensure that they can provide updates on the business and allow employees to voice their opinions. Throughout the year, we host regular leadership events with members of the Executive Board to communicate our strategy and thank our employees for their contribution in achieving our strategic objectives.

Our use of i-auditor in conjunction with our employee surveys and suggestion scheme provide employees with further opportunity to provide feedback and suggest improvements on all topics including health and safety, wellbeing topics, team culture, work environment and leadership communication.

Recognition and reward

The Group's approach to reward is to take a holistic approach that encompasses personal development, financial and non-financial rewards and benefits.

During the current year we have continued to enhance our employee benefits by introducing an EV salary sacrifice scheme in the UK, enhancing/harmonising life assurance, holiday and pension benefits.

We continue to invest and improve the training, development and upskilling our teams with personal development plans which underpins the value we add to customers.

Diversity and inclusion

The Group is committed to building an organisation that promotes equal employment opportunities for all existing employees and new talent. The sectors in which we operate continue to be challenging in terms of developing a diverse work force. The Group continues to focus on developing a strong culture and a friendly team environment to help attract and welcome a diverse employee base.

Continuing to build on the strong foundations in this element of our culture and strategy is a key focus for the Board and we are seeing it delivering positive change. We are pleased with the continued progress we have made this year with one third of the Board and Senior leadership team now being female, compared to none three years ago.

Our family culture and work life balance are a critical motivating factor, which has helped in attracting and retaining a diverse workforce. We recognise that we operate in a challenging industry in which the talent pool is limited and not yet well diversified, so we continue to focus on attracting the right talent, which will allow us to improve the diversity in the Group.

In the near future, we are looking to establish a working group with the aim to motivate, empower and support all employees, particularly those who may feel that they are in a minority, to understand themselves and their aims and how we might develop our organisation.

Health, wellbeing and safety

The Board is committed to promoting a safety-first culture through which we maintain a continuous improvement mindset. We have specific training and policies in place on workplace safety to ensure that all our employees, and other visitors, are kept safe and informed.

We continue to work closely with our teams to identify risks and ensure that they are appropriately managed and mitigated so safety is maintained across all our activities whether onsite or remote. We track accidents and incidents with the objective of continuous improvement with the goal to reduce our incident rate to zero. While we recognise this is not going to be achieved all of the time, we are pleased to report that the incident rates remain very low with no RIDDOR reportable incidents this year.

We recognise the importance of supporting our employees with their health and wellbeing and ensure that all our employees have access to the right resources to support them and their families. Employees and their families have access to private health care with Westfield Health as well as a fully funded Employee Assistant Programme to support employees with financial, legal and/or mental health challenges.

We are pleased to announce that we have established a Wellbeing Committee, which is chaired by the Group HR Director. This committee has established and operates a short-term hardship scheme, providing support, where appropriate, to our employees who are facing unforeseen financial difficulties.

We understand the importance of work-life balance and, therefore, offer flexible working arrangements wherever possible so our employees can manage work, family and personal commitments. Where appropriate, and depending on the nature of work, we embrace hybrid working between home and office and promote a culture of respect, professionalism and trust. This enables our employees flexibility while taking personal responsibility to ensure they deliver the highest performance in a manner which works for both the business and themselves.

Local community engagement

We are committed to the role we play within the communities we operate in and encourage all our employees to be involved in supporting our community. As a Group, we participate in annual charity walks and local charity events. Throughout the business, we support local foodbanks with the aim to reduce food poverty and we sponsor a room at the local YMCA all year round.

We have recently become involved in the Local Skills Improvement Plan (LSIP) in Worcestershire to support the county in identifying skills gaps in the local area and working with the education sector in closing the gaps.

Throughout the year, we have increased uptake on development courses using the apprenticeship levy, with an additional six people enrolling in courses to further their personal and professional development in their various disciplines.

During the year, we have supported a local schools initiative to promote "STEM" through the VEX robotics programme, where we have provided modest financial and resource support including assisting in the judging of the one of the regional competition events.

During the year, the Group has continued to support local grass roots sports and community initiatives through sponsorship and supporting our staff to be available to make these community activities possible.

Governance

Key highlights

We have an extensive suite of policies in place and they are published on our website at https://solidstateplc.com/governance/group-policies

These policies apply across all of our operations and we provide training to ensure employees understand and implement our policies.

The QCA policy has been updated in 2023 and the Board has reviewed its governance to ensure we are compliant with the new changes.

The ESG Committee continues to work together to review, monitor and develop our governance frame to ensure that it remains appropriate for our business long term.

We have reviewed the requirements of the TCFD framework and, at this point in time, this is not a requirement for our businesses but we will look to review, monitor and implement the framework as the business continues to grow.

The business is committed to maintaining the highest standards of Corporate Governance and follows the guidelines of the updated Quoted Companies Alliance "QCA" corporate governance guidelines to ensure that we are compliant.

The Board believes in conducting its business activities with honesty and integrity. We seek to act in a professional manner, fairly and ethically with all our stakeholders. The Board encourages all employees to speak up and raise concerns or suggestions on the improvement in business activities.

We work with our partners to adopt best business practices, and we have a range of policies in place that we require our employees and other stakeholders to adhere to. The Board has conducted an exercise in FY24 where all our policies and procedures were reviewed and updated to ensure that they were relevant and compliant. These policies can be found in further detail on our website and include the following:

Human rights and modern slavery

The Group has a zero-tolerance approach to modern slavery and is committed to acting ethically and with integrity in all its business dealings and relationships.

Solid State has implemented controls both internally and, where possible, externally to ensure compliance with the requirements of the Modern Slavery Act 2015.

The prevention, detection, and reporting of modern slavery in any part of our business or supply chain is the responsibility of all persons working for us, or on our behalf, in any capacity (including our employees, suppliers, workers, directors, agents, distributors, and all third-party business partners).

Anti-bribery and corruption act

Solid State PLC Group values its reputation and is committed to maintaining the highest level of ethical standards in the conduct of its business affairs. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery.

To ensure our stakeholders' principles of anti-bribery and corruption are consistent with the Group, all agents and third parties who act on behalf of the Group are obliged by written agreement to comply with standards set out in the Group's Anti-corruption and Bribery Policy.

Confidentiality

The Group recognises that maintaining confidentiality is a critical element of all our business activities. We ensure that our policies and practices are up to date and communicated to all staff so they understand what constitutes as confidential information. We adopt a culture of "need to know basis" and restrict internal access to confidential information. Any Information relating to third parties is not disclosed without the third parties' written consent. The Group regularly works with government agencies and abides to specific confidentiality requirements such as The Official Secrets Act. The Group ensures that processes, procedures, and training is in place so that we are compliant at all times.

In our dealings with customers

The business is committed to being open and honest about our products and services by communicating with customers all appropriate information they need to ensure we consistently meet their expectations.

We ensure that any issues or problems are dealt with efficiently and in a timely and fair manner. We actively seek feedback to benchmark and evaluate what we do in order to help us deliver continuous improvement in our products and services to maintain our value.

Principal Risks and Uncertainties

The Board has an overall responsibility to ensure that there is a robust and effective framework in place for the Group's risk management activities. The Board are supported by the Audit Committee, Group functional heads and the leadership team in managing and mitigating risk. The Audit Committee has responsibility for reviewing the effectiveness of the risk management framework and internal controls and ensures that the Group complies with relevant regulations and laws.

The Group has a process for the identification and management of risk as part of the governance structure operated by the Board. In managing and mitigating risk, a comprehensive and robust system of controls and risk management processes has been developed and implemented by the Board.

The Board's role in risk management includes:

- promoting a culture that emphasises integrity at all levels in the business;
- embedding risk management within the core processes of the business;
- setting the appetite for risk;
- determining the principal risks;
- ensuring that these are communicated effectively to the businesses; and
- setting the overall policies for risk management and control.

The principal risks affecting the Group are identified by the Group Executive team within their functional areas of responsibility and are reviewed by the Board.

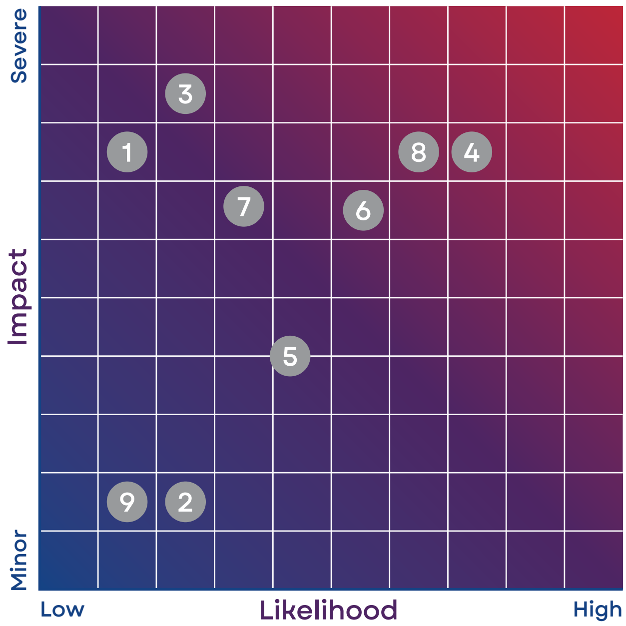
In identifying the business risks below, the Group analyses risks across four key areas:

- strategic risk;
- commercial risk;
- operational risk; and
- financial risk.

The assessment of the potential impact is the pre-mitigation assessment and the year-on-year change reflects the change in likelihood of the risk having a significant impact on the business.

The assessment of key risks is an ongoing process, which is under constant review. The assessment of the likelihood and significance of the impact of the risks has been updated from the prior year's Annual Report. The assessment of key risks identified as applicable for FY24 are set out alongside.

To help visualise our principal risks, we have plotted them on the heat map below. The individual risks are described in more detail on the following pages.



1. Acquisition risk
2. Legislative environment and compliance
3. Forecasting and financial liquidity
4. Competition risk
5. Product/technology change
6. Supply chain, customer destocking and cost inflation
7. Retention of key employees
8. Failure of malicious damage to IT systems
9. Natural disasters

Key:

Risk change: Increase, Decrease, No change

Potential impact: High, Medium, Low

Strategic risk

Principal risks	Potential impact	How we monitor and manage the risk	Trend

Acquisition risk	• Loss of key customers.
	• Loss of key employees.
	• Loss of key suppliers.
	• Erosion of Intellectual property base.
	• Failure to identify and complete profitable acquisitions.
	• Failure to mitigate FX risk arising due to international acquisitions.
	• Failure to integrate management reporting structures and control disciplines.
		Solid State PLC has not made any acquisitions this financial year, albeit the business actively researches potential targets and when a target is agreed the process includes :
		• Rigorous due diligence to ensure that acquisitions can be effectively integrated, and all the relevant stakeholders are engaged, supportive and aligned.
		• Pro-active and early engagement with:
		  • key customers and suppliers; and
		  • employees through the on-site presence of Solid State PLC management.
		• Preparation and execution of a cross functional integration plan.
		• Continued investment in development of technology in the acquired businesses.
		• Integration into existing internal control frameworks, processes and reporting systems.
			Effect: Integration of acquired business is not effective

Legislative environment and compliance	• Increased complexity in the international legislative and trading environment in which the Group operates post Brexit.
	• Overseas competitors are favoured in their domestic markets.
	• Failure to comply with applicable legislation, to include but not limited to:
	  – Export Control and International Traffic in Arms Regulations ("ITAR");
	  – Bribery Act;
	  – General Data Protection Regulation ("GDPR");
	  – Economic Crime and Corporate Transparency Act; and
	  – Employment legislation and company legislation.
		• International trade Post Brexit has seen increase in the administrative burden. As the Group's international exposure is increasing as it delivers on the strategy the Group continues to consider establishing a mainland EU operation to support the Group's international growth ambitions. The Board believes that the Group's size and diversified structure gives it resilience and the resources to meet the administrative burden.
		• Regular reporting of export/ITAR compliance, and detailed internal control processes and procedures.
		• Continuing education of the Group's employees on the legislative developments and requirements.
		• Internal reviews and external audits.
		• Adopt suitable software systems where appropriate to aid export control procedures and assist with other compliance issues.
		• The individual operating companies maintain operating procedures and are certified to internationally recognised standards, e.g. ISO 9001-2015, AS9100, AS9120, SC21.
			Effect: Trading may be disrupted/ restricted, reduced sales volumes and profitability.

Financial risk

Principal risks	Potential impact	How we monitor and manage the risk	Trend
Forecasting and financial liquidity	• The business does not maintain sufficient funding and liquidity to meet its obligations as they fall due. • The business commits to a materially significant loss making contract.	• The Group prepares financial forecasts to evaluate the level of funding required for the foreseeable future. The Board review and approve these forecasts. • Based on these forecasts appropriate funding and liquidity solutions are put in place to ensure that adequate headroom is maintained. • The Group has a defined delegation of authority matrix and contract risk register. • The Group ensures sufficient funding is in place prior to completion of acquisitions. • Extensive disclosure has been provided in respect of going concern and longer-term viability (see pages 59, 60, 62, 87 and 88).	**Effect:** Going concern/ financial loss and reputational damage

Principal Risks and Uncertainties
continued

Commercial risks

Principal risks	Potential impact	How we monitor and manage the risk	Trend
Competition risk	• Loss of distribution supplier franchise agreement would result in significant loss of product lines and customers. • Loss of a major contract/ customer or business to a competitor. • Price/margin erosion due to predatory pricing from a competitor.	• Setting a commercial strategy to gain share by: – focusing on quality, value and customer service; – develop and maintain close relationships with suppliers and customers to become the “partner of choice”, by forming multi-level partnerships; – as a trusted partner providing product solutions from design, to pilot & volume production; and – winning additional business from existing customers and capturing new customers and revenue streams. • Continue to invest in product development to ensure competitive advantage. • Continued investment in the recruitment of high-quality personnel.	**Effect:** Loss of market share, reduced sales volumes and profitability
Product/ technology change	• Failure to maintain the Group’s leading technical capabilities and knowledge which allows us to develop electronic solutions in partnership with the Group’s customers. • Failure to manufacture solutions that meet the agreed specification. • Failure of key distribution franchises to innovate and introduce new products.	• Continued investment in the technical training and development of sales, engineering and operations staff, building their capabilities. • Investment in joint R&D programmes with partners to ensure the Group is at the forefront of technical electronic solutions. • Maintain rigorous quality and engineering control processes to ensure that the Group’s products meet the required specifications. • Perform all necessary detailed product testing to ensure that products are fit for purpose. Continuously seek new franchises, suppliers and partners at the forefront of electronics technology.	**Effect:** Sales volumes and profitability

Operational risk

Principal risks	Potential impact	How we monitor and manage the risk	Trend
Supply chain interruption, de-stocking and cost inflation	• Dependency on significant suppliers or dependency on a qualified supplier within a controlled supply chain. • Risk demand falling due to customer de-stocking as a consequence of reducing inventories, over ordering, inability to obtain other necessary components and subsequent cancellation or rescheduling. • Risk of suppliers increasing component costs as a prerequisite to delivery placing margins at risk. • Risk of supply chain interruption increasing lead times for products.	• The mitigation strategy meant that the Group has been able to manage the disruption and extended lead times with limited impact. However, as lead times improve, the Group may see destocking and delays in projects/programmes in the current and subsequent years. • Maintain close relationships with key suppliers to be aware of potential supply issues. • Place scheduled orders and hold buffer stock to minimise the effects of extended lead times. • Requiring customers to place orders on non-cancellable terms, and in some cases requiring cash deposits in advance providing milestone payments. • Close monitoring of gross margins and supply chain cost escalation, with back-to-back pricing adjustments with customers. • Active programme to maintain cross-qualified second sources of supply. • Rigorous supplier quality management processes.	**Effect:** Quality issues, costs, sales volumes and profitability

Key:

Risk change: Increase | Decrease | No change

Potential impact: High | Medium | Low

Operational risk

Principal risks	Potential impact	How we monitor and manage the risk	Trend
Retention of key employees	• Loss of key people and critical skills. • Insufficient skilled employees. • Poor engagement and morale.	• Retention and development of talent is critical to the long-term success of the Group. • Senior HR resource has been added to the team. Reviewing and refining contracts of employment and conditions for best practice. • Investment in the culture means we have been able to maintain low staff turnover, many employees having been with the Group for more than ten years. • The Group encourages and invests in CPD and training in core skills and competencies as appropriate. • The Group proactively looks to develop its own talent and will be making further use of the government apprenticeship schemes. • The Group proactively communicates with its employees. • The Group reviews and benchmarks employee rewards to ensure the Group is fairly rewarding its employees. • Active review of succession planning. • Investigation and sourcing of upgraded HR system to streamline people management processes.	No change (Medium) **Effect:** Quality and or service level issues rise, and costs increase
Failure of or malicious damage to IT systems	• The inability to access business critical data. • The inability to efficiently run the operating companies.	• The existing systems are reliable and functional. • The Group has started to upgrade and standardise systems where appropriate providing improved functionality and support the development of the business. • Certified as meeting the "Cyber Essentials" standards and post period our Systems Division achieved "Cyber Essentials Plus" status. Also considering "IASME" where appropriate. • Where businesses are acquired, the Group implement the "Cyber Essentials" standards as a key priority if they do not already meet this standard and "Cyber Essentials Plus/IASME" in due course. • Automated daily back-ups of all business critical data. • Operates off-site storage of business critical data. • Has established, documented, and tested disaster recovery plans.	Increase (High) **Effect:** Costs, sales, profitability and reputational damage
Natural disasters	• Natural disaster or medical epidemic/pandemic disrupts production capability, supply of materials or customer demand.	• The Group has a documented disaster recovery plan for each site. In addition, the Group has business interruption insurance, which subject to the terms of the cover purchased providing some insurance mitigation. • The Group has documented COVID-19 protocols to mitigate the impact of any further variants.	No change (Low) **Effect:** Trading may be disrupted, reduced sales volumes and profitability

Nigel Rogers
Non-Executive Chairman

5 July 2024

Governance

“The Board continues to review its own performance to ensure the highest standards of corporate governance and accountability to deliver long-term Group success and value for shareholders.”

Nigel Rogers
Non-Executive Chairman

Chairman's Introduction To Governance

Nigel Rogers
Non-Executive Chairman

"The Board of the Solid State Group follows the guidelines set out by the Quoted Companies Alliance in ensuring a high level of corporate governance."

I am pleased to present the Group's Corporate Governance Report for the year ended 31 March 2024. This statement provides details of our current governance framework and practices and how we discharge our governance duties.

The Board has a collective responsibility and legal obligation to promote the interests, and for the overall leadership of, the Group, setting the vision, purpose, values and standards. As the Chair of Solid State PLC, I am ultimately responsible for the corporate governance of the Group, but the Board considers that good corporate governance is a key driver in the success of the business. Accountability to the Company's stakeholders, including shareholders, customers, suppliers and employees is a vital element in that governance.

The corporate governance statement and committee reports on the following pages outline the Company's approach to corporate governance.

The Board follows the principles set out in the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). The QCA Code has been updated in 2023 and continues to follow ten principles and focus on the following themes:

- Deliver growth
- Maintain a dynamic management framework; and
- Build trust

The Board considers that it does not depart from any of the principles of the QCA code and demonstrates on the following page how we are meeting those principles.

Nigel Rogers
Non-Executive Chairman

5 July 2024

Aligning with the QCA code

QCA Principle	How we comply	
Establish a purpose, strategy and business model that promotes long-term value for shareholders	The strategy and business operations of the Group are set out in the 2024 Strategic Report. The Board are responsible for the leadership and day-to-day management of the Group. This includes formulating and recommending the Group's long-term strategy for Board approval and then executing the approved strategy.	Read more on pages 24 to 26
Promote a corporate culture that is based on ethical values and behaviours	The Board expects all directors and employees to have high ethical and moral standards. Employees are expected to be accountable for their actions and ensure they are compliant with the Group code of conduct and the Company handbook.	Read more on pages 40 to 41
Seek to understand and meet shareholder needs and expectations	The Board regularly communicate our strategy, business model and performance to shareholders. The Board have regular meetings throughout the year via investor roadshows, presentations and capital markets days. The Board invites communication from its private investors and usually encourages participation by them at the Annual General Meeting (AGM).	Read more on pages 18 to 26
Take into account wider stakeholder interests, including social and environmental responsibilities, and their implications for long-term success	Directors and the management team adopt a broad view during decision making to take meaningful account of the impact of its business activities on all key stakeholder groups. The Group is mindful of its corporate social responsibilities and the need to build and maintain strong relationships across a range of stakeholder groups is a key principle in what we do.	Read more on pages 34 to 35
Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation	The Group has robust system of internal controls in place to ensure safeguarding of the business and to identify risks. During the annual external audit process, these controls are subject to examination to ensure that they are relevant. There is an ongoing process for identifying, evaluating and managing the Group's significant risks and identified risks are regularly reviewed by the Board. The Board regularly reviews financial data including cash flows, as well as other significant strategic, and compliance issues, to ensure that the Group's assets are safeguarded, and financial information and accounting records can be relied upon.	Read more on pages 44 to 47
Establish and maintain the board as a well-functioning, balanced team led by the Chair	The Board is responsible for taking all major strategic decisions. In addition, the Board reviews the risk profile of the Group and ensures that an adequate system of internal control is in place. The Board has reviewed its make-up, skills, and compliance and concluded that with the three independent NED's, provide a good skills balance and there is appropriate independent oversight and challenge.	Read more on pages 54 to 55
Maintain appropriate governance structures and ensure that individually and collectively the directors have the necessary up-to-date experience, skills and capabilities	The Board considers corporate governance to be a high priority and ensures that appropriate practices are adopted. The roles and responsibilities of each of the Directors (including committee memberships) are clearly defined.	Read more on pages 52 to 53
Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	An internal performance evaluation is conducted by the Chairman on an annual basis. Throughout the year the Chairman encourages self evaluation, feedback and content review of the Board meetings. The Board will continue to keep under review whether a more structured independent review is required in future.	Read more on pages 50 to 71
Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture	The Board has clear processes on determining the remuneration that supports the Company's strategy and is appropriate to the nature and size of the business. The remuneration of the Board is straightforward and easy to understand with the aim to providing external stakeholders with reassurance that the performance, pay and interests are aligned.	Read more on pages 62 to 67
Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other key stakeholders	Regular face to face meetings with shareholders as well as online platforms are used to regularly communicate with our key stakeholders. We engage in regular dialogues to allow specific opportunity for raising any concerns related to corporate governance.	Read more on pages 56 to 57

Solid State Senior Leadership Team

Board

Nigel Rogers
Non-Executive Chairman

G R A N

Nigel joined the Board as an Independent Non-Executive Director in July 2019, and became Non-Executive Chairman in November 2020. He has more than 20 years' experience in leading AIM-listed engineering companies, including as Group CEO of both Stadium Group PLC (now part of TT Electronics PLC) and 600 Group PLC. He is currently Executive Chairman at Transense Technologies PLC and Chairman at Surgical Innovations Group PLC. His early career was as a Chartered Accountant with PwC in the UK, Latin America and the Middle East.

Gary Marsh
Chief Executive Officer

G N S

Gary Marsh joined the Company in 1986 having gained an HND in Business and Finance Studies. He has held various positions within the Group, including that of Operations Director of Solid State Supplies prior to his appointment as its Managing Director in 1997. In addition to this role, Gary was appointed Group Managing Director in 2002 following the acquisition of Steatite. In 2010, following the acquisition of Rugged Systems Ltd, he was appointed Chief Executive Officer of the Group.

Peter James
Chief Financial Officer

G S

Peter James was appointed to the Board of Solid State PLC in February 2017. Before joining Solid State PLC, Peter was Group Financial Controller at IQE PLC, having qualified as a Chartered Accountant with PriceWaterhouseCoopers LLP where he worked for 13 years gaining a wide range of experience in Audit and Financial Due Diligence, working with and advising a broad range of companies in a variety of sectors, including multinational, main market and AIM listed companies. Peter has built up a wealth of experience in business leadership, financial management, International M&A, and international debt & equity fund raising. In addition on a voluntary basis Peter continues to support British Water Ski and Wakeboard Federation Limited having stood down after 9 year as Non Executive Chair of the Audit and Finance Committee.

John Macmichael
Director

G S

Following graduation, John Macmichael worked as a development engineer for GEC Telecommunications before moving into applications engineering and ultimately, sales and sales management. John spent several years in the USA as International Sales Manager for a fabless semiconductor company before returning to the UK to establish their European operations. John joined the Solid State Group in 2006 and was appointed Managing Director of the Components Division in 2010.

Key to committee

- G Group Board
- A Audit Committee
- R Remuneration Committee
- N Nomination Committee
- S Senior Leadership Team
- Chairman of the Committee

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Matthew Richards
Director

G S

Matthew Richards was appointed to the Solid State Group Board in 2016 initially heading up Steatite Ltd and presently focussing on the Custom Power business in the UK and the USA as MD. He has a track record of success in defence electronics and communications industries.

Pete Magowan
Non-Executive Director

G R A

Pete joined the Board as an Independent Non-Executive Director and Chairman of the Remuneration Committee in January 2021. He was appointed Senior Independent Director of the Group in February 2021.

Sam Smith
Non-Executive Director

G A R N

Sam joined the Board in 2023 as Non-Executive Director. Sam is an entrepreneur with over 25 years' business and capital markets experience and has specialised in advising small and mid-cap growth companies. She was previously Chief Executive Officer of FinnCap Group.

Lyn Davidson
Group financial controller & Company Secretary

S

Lyn joined the Group with the Active Silicon acquisition in 2021 and has been promoted to Group Financial Controller & Company Secretary. She qualified as a Chartered Accountant with KPMG in 2007 and has experience across a wide range of sectors.

Sharon Dhillon
Senior M&A and Investor Relations analyst

S

Sharon qualified as a Chartered Accountant in 2013 with financial due diligence experience at KPMG. She has experience in a variety of sectors particularly specialising in Aerospace & Manufacturing industries, advising a broad range of companies on buy & sell side deals. She joined the Group in February 2023 to lead the M&A strategy and develop Investor Relations.

Alastair Wallace
MD of Steatite Systems

S

Alastair has been with Steatite for 5 years in development and commercial leadership roles in the Systems division. He has extensive prior leadership experience in electrical distribution, B2B and consumer branded markets in UK and International companies.

Lyenka Logan
Group HR Director

S

With over 20 years of extensive experience in Human Resources, Lyenka has her Level 7 CIPD and has built a distinguished career primarily within global engineering manufacturing businesses, supplemented by experience in the warehousing and logistics sector.

Jon Baxter
Executive Director - Sales & Operations EMEA

S

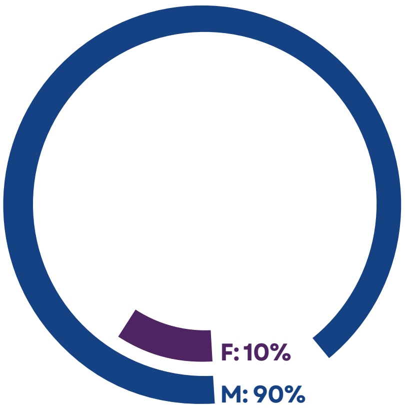
Jon joined Solsta in 2015 as Director of Sales and Marketing and has worked in the electronic distribution sector since 1995. Jon started with Polar Electronics, prior to spending 9 years with the global electronics distributor Arrow Electronics.

Governance at a glance

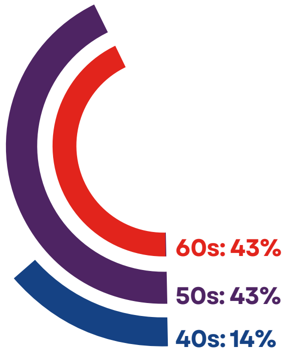
Our Senior Leadership Team

How our Board are purposed to deliver long-term sustainable value for us and our stakeholders

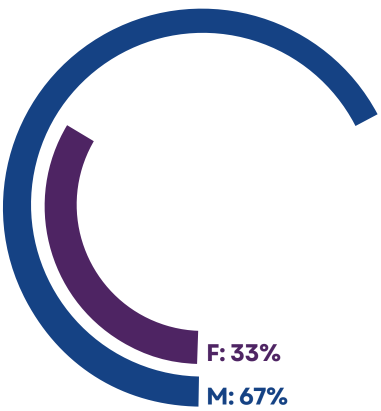
Board Gender Diversity



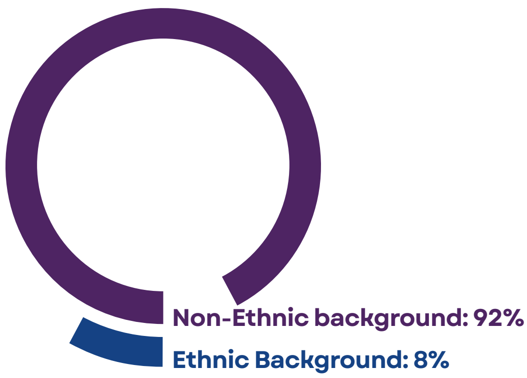
Board members - Age



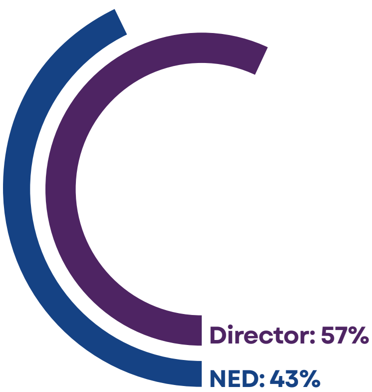
Board and Leadership Group diversity



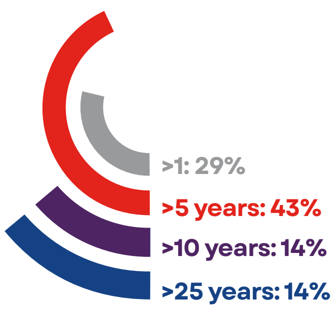
Ethnicity across Board & Leadership Group



Board Independence



Board Tenure



Skills matrix

	Non Executive Director	Financial Expert	Governance and Risk Expert	Industry Expertise
Nigel Rogers	●	●	●	●
Peter Magowan	●	●	●	●
Sam Smith	●	●	●	●
Gary Marsh			●	●
Peter James		●	●	●
John Macmichael			●	●
Matthew Richards			●	●

Board and Committee attendance

The Board has reviewed its make-up, skills, and compliance with the recently updated QCA code and has concluded that the three independent NED's, provide a good skills balance and there is appropriate independent oversight and challenge. Therefore, the Board does not intend to appoint an additional NED at this time.

	Board	Audit	Remuneration	Nomination
Nigel Rogers	10	3	3	3
Peter Magowan	10	3	3	3
Sam Smith	6	2	2	2
Gary Marsh	10	–	–	–
Peter James	10	–	–	–
John Macmichael	10	–	–	–
Matthew Richards	10	–	–	–
Peter Haining[1]	10	1	1	1

[1] Peter Haining stood down as Non-Executive Director at the AGM in September and attended subsequent meetings in his role as Company Secretary.


Governance Key Highlights

The year has seen several significant events for the Company and its Board:

Appointment of new Non-Executive Director

We welcomed Sam Smith as an independent Non-Executive Director to the Board of Directors with effect from 1 August 2023. Sam sits on the Audit, Nomination and Remuneration Committees.

Retirement of Peter Haining as a Non-Executive Director & Audit Committee Chair

Peter Haining stood down as Non-Executive Director and Audit Committee Chair at the Annual General Meeting ("AGM") on the 6th September 2023. Nigel Rogers is currently our interim Chair of the Audit Committee until Sam Smith can take the role after she has been on the Committee for one cycle.

New Company Secretary

We are pleased to announce that Lyn Davidson is our new Company Secretary from 1st April 2024. Lyn joined the Group from our Active Silicon acquisition in 2021 and is our Group Financial Controller. She has been fundamental in helping the Group achieve its growth over the last few years.

Establish Executive Board to support the Group Board

We established the Executive Board (see pages 15, 24 and 34) which comprises a key senior leadership team that bring a breadth of skills and industry knowledge. They are responsible for informing and delivering the Group strategy.

Committee highlights

Audit Committee

Key responsibilities:

- Reviewing, identifying, and assessing the risk in financial reporting processes and control policies.
- Key relationship with Auditors and agreeing the scope to ensure that the audit is effective, objective, and independent.
- Reviewing the internal needs of the Group and making recommendations where needed (i.e. if there is a need for an internal audit function).
- Reviewing significant financial reporting issues, accounting policies, and judgements and estimates adopted by management.

Remuneration Committee

Key responsibilities:

- Structuring the remuneration packages of the Executive Board and senior management.
- Reviewed and approve the Executive Directors' performance against financial and non-financial objectives.
- Review and approve the annual bonus structure for the Board and the Group.
- Award any grants and shares eligible under the CSOP and LTIP plans.

Nominations committee

Key responsibilities:

- Reviewing the structure of the Board to ensure we have the right mix of Directors and Non-Executive Directors.
- Identifying and shortlisting any suitable candidates during our appointment of Non-Executive Directors.
- Identifying the skills, experience, personal qualities, and capabilities required for the next stage in the Company's development using succession planning.

ESG committee

Key responsibilities:

- Reviewing and monitoring the Group's ESG strategy and communicating key changes and milestones to the Board.
- Oversee and monitor the Group's progress against its net zero ambitions.
- Challenging different areas of the business in how to reduce our carbon emissions (sustainability in our products, supplier & customer relationships and how we operate).
- Review the effectiveness of risk management and internal control policies where relevant to ESG.
- Reviewing and providing recommendations in relation to the health, safety & wellbeing of our people.

Governance structure

Group Board

Audit Committee

Areas of focus:

- Peter Haining retiring as Audit Chair and interim role being fulfilled by Nigel Rogers.
- New audit partner rotation and independence review complete and no changes in the independence.
- Audit scope updated to incorporate full year of Custom Power into the Group.

Priorities for 2024-25

- Working closely with new audit partner in ensuring that the audit is of high quality.
- Sam Smith to take on Audit Committee Chair once she has been on the Board for one cycle.

Read more on **pages 58 to 60**

Remuneration Committee

Areas of focus:

- Set objectives at beginning of the year and review the performance of the FY24 year.
- Review of salary and reward of FY25 for the Group, leadership team and employees.
- Award of LTIP and CSOP in February 24.
- Establish International (currently US) long term incentive plan from April 2024.

Priorities for 2024-25

- Set objectives for FY25 for salary, reward and other employee incentives.
- Monitor performance of the Group to ensure that objectives are achievable.

Read more on **pages 62 to 67**

Nominations Committee

Areas of focus:

- Reviewing the existing Board structure and appointing Sam Smith as a Non Executive Director. This recent addition provides the business with the appropriate mix of skills and balance needed between our Directors and Non-Executive Directors.
- Decision not to move forward on appointment of additional Non-Executive.

Priorities for 2024-25

- Continued succession planning of the Group and Executive Board.
- Improving diversity.

Read more on **page 61**

Executive Board

ESG Committee

Components Leadership Team

Systems Leadership Team

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Audit Committee report

Nigel Rogers
Non-Executive Chairmen

Other members:

- Sam Smith
- Pete Magowan

Meetings held:

3

By Invitation

Audit Committee meetings can also be attended by the Group CFO, FC and representatives of the external auditors by invitation.

FY24 Key achievements:

- An audit appraisal was completed and no concerns on RSM UK Audit LLP conducting an independent, objective and high-quality audit.
- Reviewed and approved the interim and final year-end reporting to ensure the reporting was relevant, fair and balanced with the judgements within the accounts considered appropriate.

Areas of focus in FY25:

- Build on the relationship with new audit partner.
- Review the potential impact of new financial reporting standards and the impact of requirements which will become relevant as the Group approaches the Public Interest Entity "PIE" regime.

The audit committee is being chaired on an interim basis by Nigel Rogers after Peter Haining retired at the last AGM meeting.

Peter continued to support Nigel during the initial transition period and the Board's plan going forward is to appoint Sam Smith as the new Audit Committee Chair once she has been on the Board for one audit cycle. Sam is a chartered accountant who trained with a Big four accountancy firm and has a wealth of public company financial and governance experience as CEO at finnCap.

Primary responsibilities of the audit committee

An audit committee terms of reference is available on the Group's website which provides more comprehensive detail on the roles and responsibilities of the committee. The Board review the document on an annual basis to ensure that we are compliant and up to date. Some of the key responsibilities highlighted in the document are:

- **Financial reporting** - To review, and challenge where necessary, the actions and judgements of management in relation to the company's financial statements, operating and financial review, interim reports, preliminary announcements and related formal statements before submission to, and approval by the Board, and before clearance by the auditors.
- **Internal control & risk management** – To review the risk profile, procedures for detecting fraud and internal control policies to ensure that they are effective and appropriate.
- **External audit** - Maintaining a relationship with auditors to ensure that external audit is effective, objective, independent and of high quality.
- **Compliance, whistleblowing & fraud** – review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- **Internal audit** -Ongoing review to determine the need for an internal function.

Financial reporting

The audit committee reviewed the appropriateness of the following significant financial reporting judgements made by management during the preparation of the interim and full year financial statements.

The focus areas set out below were considered the key judgements and areas of risk for FY24. As a result, there was extensive discussion, challenge and review between the auditors, management, and the audit committee:

Review of revenue recognition and deferred income

The committee reviewed the reports prepared by management which set out the updated assessments for the contracts which have material revenue recognition judgements in accordance with IFRS15 and discussed the conclusions with the CFO and Group FC.

The two key judgements considered were:

1. The evaluation of whether the contracts require revenue to be recognised over time or whether they were based on completion of the performance obligations at a point in time; and,
2. The revenue recognition cut-off in accordance with the Incoterms at the year end.

As part of the review the audit committee reviewed the post balance sheet events position to ensure that these judgements remained appropriate. The Committee concurred with the revenue recognition judgements and that the treatment was in accordance with IFRS15.

In finalising the accounts, the committee noted that the external auditors accepted management and the committee's conclusions.

Review of the judgemental working capital provisions for receivables and inventories

Following review of reports from management two areas of more significant estimation are:

1. provisions for credit defaults based on the expected loss rate in accordance with IFRS9, and
2. provisions for obsolete inventories.

The committee recognised that as part of the closure of the Legacy production line in the USA there has been a number of older inventory items which have been written off utilising the provisions and as a result the absolute inventory provision has fallen due to writing off the old/obsolete inventory.

In the year under review the debtor book has seen an increase in aged items. As a result, credit default risk is considered to remain high with debtor provisions increasing from £0.7m to £1.1m.

The Committee concurred that the provisioning policy had been applied consistently that the level of provisions remains appropriate.

Review for the potential impairment of goodwill and other tangible and intangible assets.

The Committee reviewed and challenged the key assumptions, judgements, and sensitivities in the report from management.

The Committee concurred that the expected future cash flows of the Group support the carrying value of goodwill and other intangible assets, and that there were no triggering events which suggested any potential impairment of goodwill and other intangible assets.

The committee also reviewed the reversal of the fair value acquisition uplift adjustment to the building in Elkhart where the legacy production line has been decommissioned. The committee noted that it is not material and agreed that the accounting treatment is considered appropriate.

Accounting for Research & development (R&D) tax credits.

Following review of reports from management and correspondence with the companies' R&D tax advisers, which set out the judgemental items:

1. the level of the R&D claim,
2. the level of the R&D tax credit which is deferred and amortised to match to capitalised development programmes.

As in the prior year, based on the R&D scheme rules for FY23/24, the Group's R&D will be within the large company RDEC scheme, which means the transition to the merged R&D tax relief regime will have minimal impact.

The committee also reviewed the judgements relating to the capitalisation of development expenditure and considered them appropriate.

The presentation of the financial statements, including the presentation of adjusted performance measures.

The committee has reviewed the reports prepared by management setting out the rationale for the adjustments. Based on this the committee concurred that the presentation of the adjusted performance measures is appropriate, balanced and enables the users of the accounts to understand the underlying and on-going performance of the business.

The committee has reviewed the Group's interim and annual report and has concluded that the reports provide a fair, balanced, and understandable, and provided the relevant information for stakeholders.

Going Concern

In assessing the going concern position of the Group for the Consolidated Financial Statements for the year ended 31 March 2024, the Directors have considered the Group's cash flows, liquidity and business activities. At 31 March 2024, the Group had cash balances of £8.4m, drawn term loans and overdrafts of £13.1m and £10.0m of undrawn RCF.

The bank facilities are subject to financial covenants requiring the business to be EBITDA positive therefore this facility is available to fund investment in working capital, capital investment or acquisition activities. Should the business face such a significant downturn that it was loss making the facility would not be available to be drawn to fund additional losses without a covenant waiver of amendment.

As a result, in evaluating a stressed model the Board have only included the RCF in the headroom to the extent it would be available within the covenants. 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.

Additional disclosures in respect of the Directors' assessment and modelling to support the conclusions below are set out on pages 87 and 88 of the basis of preparation. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 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.

External auditors

The audit committee has established a formal auditor independence policy which allows the committee to oversee the relationship with external auditors and monitor the fees payable and services provided. The committee is provided with a detailed audit plan of the financial year end that highlights the key risks identified and the intended areas of focus during the audit. The committee reviews the scope of the audit and ensures that the proposed fees are fair and reasonable and represent the value for the services provided.

The audit scope for the year ended 31 March 2024 relates to the audit of the Consolidated Group Accounts and that of the parent company. In addition to the Dormant non trading companies several of the UK trading subsidiaries have adopted the exemption from the requirements to file audited financial statements by virtue of section 479A of the Companies Act 2006. In adopting the exemption Solid State PLC has provided a statutory guarantee to these subsidiaries in accordance with section 479C of the Companies Act 2006 (see Note 14).

Audit Committee report
continued

During the year, an audit appraisal was completed, and it was concluded that there are no concerns on RSM UK Audit LLP conducting an independent, objective and high-quality audit. An audit partner rotation has taken place with Andrew Williams taking on responsibility as the new audit partner.

As part of the audit plan the Group's auditors provide the audit committee with a report that confirms the safeguards that are in place to maintain their independence and they have confirmed that they have appropriate internal safeguards to ensure their independence and objectivity.

As in prior years the provision of external audit and tax compliance are separated. As such tax advice is provided by Crowe LLP, Bevan Buckland LLP and The Kings Mill Practice.

The audit committee have reviewed the audit services provided for the FY24 audit of Solid State PLC and were satisfied with the audit quality and conclude that there had been appropriate focus and challenge on the primary areas of risk.

Non-audit services

The committee is responsible for approving any non audit services including the cost nature, objectivity and extent of the services provided by our external auditors. Any costs that exceed £10,000 in relation to audit, tax consulting or non audit services must first be approved by the Audit committee.

The nature of the services provided by the auditors and the amounts paid to them are as detailed below:

RSM UK audit LLP (Group auditors)	31 March 2024	31 March 2023
Fees payable to company's auditors for the audit of the parent company accounts and consolidated financial statements	**247**	245
	247	245

Post year end the Audit committee and audit partner have approved the provision of non audit services in respect of regulatory compliance requirements assessment within India with fees of $5k.

Internal Audit

The audit committee is required to review the requirement for an internal audit function based on the size of the Group and the cost of the function versus the long-term benefit and sustainability of maintaining this function given the operational and financial circumstances facing the Group.

After conducting an annual review of the necessary controls and reporting, the committee has concluded that there isn't a requirement at this point in time for an internal audit function.

During the internal management review process, the Chief Financial Officer, Divisional Managing Directors and the site Financial Controllers confirm that the agreed procedures are in place and are being adhered to, with specific reference to key controls such as bank and control account reconciliations.

The committee is satisfied that there have been no significant failing or weaknesses identified by the internal management review and sign off process.

Further information on how the Group deals with its Risk activities can be found in more detail in the Strategic Report on pages 44 to 47.

Internal Controls

As part of the interim and full year reporting, the Audit Committee will review the Group's systems of internal controls and risk management activities to ensure that they are effective and up to date.

The key procedures that the Directors have established with a view to providing effective internal control include the following:

- to monitor the integrity of the company's internal financial controls;
- to review the statement in the annual report and accounts on the company's internal controls and risk management framework;
- to assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks.
- the preparation of annual budgets and regular forecasts which are approved by the Board; and
- the monitoring of performance against budget and forecasts and the reporting of any variances in a timely manner to the Board

Nomination Committee Report

Nigel Rogers
Non-Executive Chairmen

Other members:

- Sam Smith
- Pete Magowan

Meetings held:

3

FY24 Key achievements:

- Appointment of Sam Smith as a Non-Executive Director.
- Reviewing the current Board structure (skills and experience) and decision not to hire another Non-Executive Director.

Areas of focus in FY25:

- Succession and continuity planning.
- Strategic review of the plans for addition and development of our Senior Talent.

I am pleased to present the Nominations Committee report for this financial year.

The Nominations committee takes responsibility for identifying the skills, experience, personal qualities, and capabilities for the next stage in the company's development, linked to the company's strategy. The Committee's role is to ensure that we have competitive, talented, and diverse people leading and governing our business.

The Committee's ambition is to focus on attracting and retaining high performing individuals who have the right skill set and creativity to execute the Company's strategy in a fast-evolving environment.

We are proud of what we have achieved so far in improving diversity in our organisation, albeit we recognise there are opportunities to continue to improve and progress.

During the year, we completed the new appointment of Sam Smith as a Non-Executive Director serving on the Audit, Remuneration and Nomination Committees. Sam brings a wealth of experience and has added significant value and contribution to the Group this year.

Key responsibilities

- Review the structure, size and composition of the Board.
- Succession planning for Directors and other senior Executives.
- Identifying and nominating appropriate diverse candidates to fill any vacancies as when they arise.
- Review the independence of the Non-executive Directors and any potential conflict of interest for all Directors.

FY24 highlights

- Appointment of Sam Smith as a Non-Executive Director.
- Having previously indicated that the appointment of a fourth Non-Executive Director ("NED") was under active consideration, the Board has reviewed its make-up, skills, and compliance with the recently updated QCA code. As a result of this review, the Board concluded that the three independent NEDs provide a good skills balance and there is appropriate independent oversight and challenge. Therefore, the Board does not intend to appoint an additional NED at this time.

Remuneration Committee Report

Pete Magowan
Non-Executive Director

Other members:

- Nigel Rogers
- Sam Smith

Meetings held:

3

FY24 Key achievements:

- Reviewed and approved the Executive Directors' performance against financial and non-financial objectives for the year ended 31 March 2024 and determined the bonuses payable;
- Reviewed and approved the annual bonus structure for Executive Directors for the year ending 31 March 2025;
- Approved the LTIP Awards to be made in the year ending 31 March 2024 and their performance conditions;
- Role out of the International LTIP, with the first awards being made post year end on 1 April 2024.

Areas of focus in FY25:

- Update and refresh the review of succession planning.
- Update and refresh the review of executive and non-executive remuneration benchmarking.
- Review the remuneration policy to ensure that it remains aligned with best practice and meets the objectives set out in the committee terms of reference.

On behalf of the board, I am pleased to present our Remuneration Committee report for the year ended 31 March 2024.

This report comprises:

- The Annual Statement, which summarises the Committee and its work, remuneration outcomes in respect of the year just ended and how the remuneration policy will be operated for the forthcoming year.
- The Directors' Remuneration policy report, which summarises the Group's remuneration policy.
- The Annual report on remuneration, which discloses how our policy was implemented in the year ended 31 March 2024 in detail.

Annual Statement

The remuneration committee is focused on attracting, retaining and motivating talented employees and therefore structures the remuneration package for Executive Directors and Senior Management to be competitive.

To promote the long-term success of the Company, the Executive Directors' incentive benefits are performance based and earned only subject to the satisfaction of performance conditions. These performance conditions are aligned with the interests of the shareholders.

The committee has considered the following factors when determining the remuneration packages for the Executive Directors:

- Strong record year of growth in revenue and profitability for the year ended 31 March 2024. Revenue increased by 29% to £163.3m and adjusted operating profit grew by 47% to £17.0m;
- Strategic achievements include
  - Significant growth in our systems division underpinned by our Steatite brand.
  - Increasing our international revenues by 70% to £93.4m (2023: £54.9m).
  - Recruitment and development of talent and the formation of the Executive Board to position the group for continued growth.
  - Rebranding the Group including the Launch of the new Solsta brand for our components business.
  - Securing three international franchises.
  - Re-organising the components business in the USA to refocus on growth opportunities.
  - Completion of the integration of Group's Battery operations in the USA, Crewkerne and Newcastle under the Groups' Custom Power Brand.

All decisions made by the Committee have been made under the Group Remuneration Policy.

Performance outcome

The committee has reviewed the performance against the targets established at the start of the year. Based on this the committee awarded an annual bonus pool for the Executive Directors which in total was equivalent to 88% of the Executives' total basic salary. This is driven by the view of the Committee that the current year performance has been exceptionally strong in challenging times.

Further details of bonus and LTIP awards can be found on in the Annual report on remuneration in the following pages.

Remuneration policy

Element and Purpose	Operation	Opportunity	Performance metrics
Base Salary To attract and retain quality executives with the provision of a competitive total package.	Base salaries are normally reviewed on an annual basis with any changes effective from 1 April.	Any percentage increases will ordinarily be in line with those across the wider workforce. However, salary increases may be higher in exceptional circumstances, such as the need to retain a critical executive, or an increase in the scope of the executive's role.	Base salary levels and corresponding increases are based on individual experience, skills and business performance along with competitiveness against similar companies.
Benefits To help retain employees and remain competitive in the marketplace.	Directors receive an electric or hybrid company car or car allowance, life assurance, and medical insurance.	Insurance cover based on market rates.	Not performance related.
Pension To facilitate long-term savings provisions.	Contributions to a Director's pension as appropriate. This may include contribution to the Company's defined contribution scheme or payment of a cash allowance as appropriate.	Aligned to the pension available to the Group's UK workforce.	Not performance related.
Annual performance related bonus Rewards the achievement of annual financial and strategic business targets.	Targets (financial and non-financial) are set and reviewed by the Committee annually. Actual bonus payable is determined by the Committee after the financial year-end, based on performance against these targets.	Up to 100% of salary payable for significant over-achievement of financial and non-financial bonus objectives. The bonus will pay 0% at minimum threshold, and 60% at expected stretch performance. Based on achieving specific personal stretch objectives, an additional bonus up to a maximum cap of 100% can be earned.	Performance is assessed annually against financial and personal / strategic objectives set at the start of each year.
Long Term Incentive Plan ("LTIP") To motivate Executive Directors to deliver shareholder value over the longer term.	Awards of conditional shares through nil-cost options with vesting dependent on the achievement of performance conditions over the following three years. Net of sales to settle tax obligations vested awards are subject to a two-year holding period, in aggregate a five-year period from award. Dividend equivalents will be paid on vested awards. Malus and clawback provisions.	Up to 125% of salary.	Performance conditions are based on Group financial performance, which may include (but not be limited to) Group earnings or returns over the performance period.

Remuneration Committee Report
continued

Element and Purpose	Operation	Opportunity	Performance metrics
Company Share Option Plan ("CSOP") HMRC Approved scheme to motivate our senior leaders to deliver shareholder value over the longer term.	Awards of conditional shares through market price options with vesting dependent on the achievement of performance conditions over the following three years. Similar provisions to LTIP	Awards of up to approved HMRC approved limits. Funded through shares purchased in the market and newly issued shares as appropriate	Performance conditions are based on Group financial performance, which may include (but not be limited to) Group earnings or returns over the performance period.
Shareholding guidelines To align Executive Directors with shareholder interests.	Shareholding guidelines require a minimum shareholding interest (normally within five years)	150% of salary	Not performance related

Policy on fees paid to the Non-Executive Directors:

Remuneration element and link to strategy	Operation	Opportunity	Performance metrics
Fixed fees to attract and retain Non-Executive Directors of the highest calibre with broad experience relevant to the Company.	Paid monthly in arrears and reviewed each year. Any reasonable business related expenses can be reimbursed.	The Chairman's and Non-Executive Directors' fees are determined by relevant benchmark data.	Annual review by the Board

Notes to the remuneration policy and performance conditions and target setting

The committee is responsible for determining the weightings, performance metrics and targets as well as timing of grants and payments for the annual bonus, CSOP and LTIP plans. The committee will consider numerous factors to reach their conclusion and view. These include, but are not limited to, the strategic priorities for the Company over the mid/long term, Shareholder feedback, the risk profile of the business and the macroeconomic climate.

Target Setting

The Annual Bonus Scheme is determined against the delivery of key strategic areas within the business and a balance of profitability. The profitability metrics used include adjusted profit before tax and /or adjusted fully diluted EPS and awards only become eligible when current year performance exceed market expectations at the time of setting. Malus, clawback and leaver provisions apply.

The CSOP and LTIP are assessed against a performance measure identified as the most relevant to driving sustainable bottom line business performance, as well as providing value for Shareholders. This measure is currently considered to be real growth in adjusted fully diluted EPS. The Company is committed to remaining within the Investment Association's 10% dilution limit.

When deciding on bonus targets, the committee will consider an appropriate balance between risk and reward to ensure that maximum payments are only made for exceptional performance. The committee recognises that bonuses need to be motivational for participants but need to be aligned against the annual and long term plans and take into account the following:

- Company's strategic plans;
- Prior year performance;
- Analysts' forecasts;
- estimated vesting levels and the affordability of pay arrangements.

In exceptional circumstances, the Committee has the discretion to adjust and/or set different targets and performance conditions for annual bonus and long-term incentive plans, provided the new conditions are no tougher or easier than the original conditions. This includes events where conditions are unable to fulfil their original intended purpose. Awards may also be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends).

The committee will report any adjustments or discretions exercised to shareholders and will consult with major shareholders if the discretion is material and upwards. No such discretion was exercised during FY24.

The Committee can also grant additional LTIP awards to participants in return for their bearing the Company's liability to employer's National Insurance arising on the exercise of such grants made to them above. The additional award ensures that the participants are in a neutral position on an after-tax basis, assuming no change in tax rates.

All historical awards that have been granted before the date this policy came into effect and remain outstanding (including those detailed on page 67 of this report) remain eligible to vest based on their original award terms.

Recruitment Policy

Upon recruitment of an Executive Director, the remuneration package will be in line with the remuneration policy, subject to the Committee having discretion that buy-out awards (or any other means in order to facilitate recruitment) are reasonably necessary.

Adoption of the refined policy for 2023/24

In addition to reviewing and refining the policy to incorporate best practice, the committee has reviewed the Remuneration policy for the coming year and concluded that there are no material changes needed. However, we have clarified the description of the performance conditions adopted on the LTIP to make it clear that full vesting only arises based on "real terms growth" in adjusted earnings per share. The performance hurdle is 30% growth plus the impact of inflation.

The new interest in shares guidelines for Executive Directors introduced in the prior year of 150% of salary has been achieved with all Executive directors having interests in shares in excess of 45,000 shares, which is in excess of 150% of salary.

Remuneration Committee Report
continued

Single figure table for Executive Directors

	Gary Marsh		Peter James		John Macmichael		Matthew Richards	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Base Salary	**240**	218	**210**	183	**190**	175	**190**	175
Benefits	**4**	8	**24**	24	**12**	18	**6**	5
Pension	**10**	4	**8**	7	**8**	–	**7**	7
Annual Bonus[1]	**203**	175	**187**	175	**166**	175	**173**	175
LTIP[2]	**–**	106	**–**	106	**–**	106	**–**	–
Total	**457**	511	**429**	495	**376**	474	**376**	362
Of which:								
Fixed remuneration	**254**	230	**242**	214	**210**	193	**203**	187
Variable remuneration	**203**	281	**187**	281	**166**	281	**173**	175

1 All Bonuses including the Director bonuses have been accrued, however payment was deferred until the start of Q2 when the results had been finalised though not yet formally signed off. Matthew Richards and Peter James have an requirement to use a specified proportion of the annual bonus to exercise options or purchase shares within an agreed time period.

2 There were no LTIP or EMI shares granted which were due to vest in the period. No options were exercised in FY24, three directors exercised 8,000 vested options each on the 24th February 2023 in the comparative period.

FY2025 Director Salaries

	From 1 April 2024	1 April 2023 to 31 March 2024
G S Marsh	**248**	240
P O James	**216**	210
M T Richards	**196**	190
J L Macmichael	**196**	190

Single figure table for Non-executive Directors

	Nigel Rogers			Pete Magowan			Sam Smith			Peter Haining		
	From 1 Apr 2024	2024	2023	From 1 Apr 2024	2024	2023	From 1 Apr 2024	2024	2023	From 1 Apr 2024	2024	2023
Fees	**73**	70	66	**41**	40	32	**41**	27[1]	N/A	**n/a[2]**	7[2]	26

1 Sam Smith was appointed during the year. Her annual fees were £40k.

2 Peter Haining resigned during the year. His annualised fees were £26k.

Directors' interests in shares

	5-July-24			31-Mar-24			31-Mar-23		
	Shareholding	Vested but unexercised options	Total Interest in shares of the Company	Shareholding	Vested but unexercised options	Total Interest in shares of the Company	Shareholding	Vested but unexercised options	Total Interest in shares of the Company
G S Marsh	**288,783**	**18,700**	**307,483**	288,783	18,700	307,483	288,674	8,000	296,674
J L Macmichael	**131,353**	**18,700**	**150,053**	131,353	18,700	150,053	131,247	8,000	139,247
M T Richards	**12,435**	**42,700**	**55,135**	12,435	42,700	55,135	12,329	32,000	44,329
P O James	**12,553**	**34,700**	**47,253**	12,549	34,700	47,249	12,446	24,000	36,446
N Rogers	**6,351**	**–**	**6,351**	6,351	–	6,351	6,351	–	6,351
P J Magowan	**6,927**	**–**	**6,927**	6,927	–	6,927	6,927	–	6,927
S Smith	**1,900**	**–**	**1,900**	1,900	–	1,900	–	–	–

Shareholding Guidelines

	Total Interest in Ordinary shares	Shareholding guidelines	Shareholding guidelines met
G S Marsh	307,483	150%	Yes
P O James	47,253	150%	Yes
M T Richards	55,135	150%	Yes
J L Macmichael	150,053	150%	Yes

Directors' interest in long-term incentive awards

	Gary Marsh	Peter James	Matthew Richards	John Macmichael
Options held at 31.03.22	37,400	53,400	53,400	37,400
Granted	14,100	14,100	14,100	14,100
Exercised	(8,000)	(8,000)	–	(8,000)
Lapsed	–	–	–	–
Options held at 31.03.23	43,500	59,500	67,500	43,500
Granted*	14,100	14,100	14,100	14,100
Exercised	–	–	–	–
Lapsed	–	–	–	–
Options held at 31.03.24	57,600	73,600	81,600	57,600

* During the year to 31 March 2024 the Board granted an award of 14,100 shares to each of the Executive Directors which, subject to the performance criteria, will be eligible to vest in 2027.

Directors' Report

The Directors present their report together with the audited financial statements of the Group in respect of the year ended 31 March 2024.

Principal Activities, Review of the Business and Future Developments

The principal activities of the Group during the year continued to be those of the manufacturing of electronic equipment and the value added supplier of electronic components and materials.

The key performance indicators recognised by management are set out in the KPI section of the strategic report (page 32 & 33).

An overall review of the Group's trading performance and future developments is given in the Chairman's Statement and Strategic Report. Other than as reported in the corporate and social responsibility section of this report the Group does not comment on environmental matters.

Directors

The Directors of the Company during the year were:

N F Rogers

G S Marsh

P O James, BSc FCA

J L Macmichael

M T Richards

P Magowan

S Smith, FCA
(appointed 1 August 2023)

P Haining, FCA
(resigned 6 September 2023)

Details of the interests of Directors in the shares of the Company and Directors' service contracts are stated in the Remuneration Committee Report on pages 62 to 67.

Corporate Governance

The Board confirms that the Group has had regard, throughout the accounting period, with the provisions set out in the Quoted Companies Alliance (QCA) Code and the UK Corporate Governance Code which was issued by the Financial Reporting Council in April 2016.

Details of how the Group has adopted the QCA Code (updated 2023) and corporate governance principles are set out in the corporate governance report on pages 51.

Internal Control

Details of how the Board has implemented its internal control framework and processes are set out in the corporate governance report on pages 56 to 60.

Board of Directors

The structure and operation of the Board of Directors is set out in the corporate governance report on pages 52 to 53.

Principal risks and uncertainties

Details of the principal risks and uncertainties of the Group are set out in the strategic report on pages 44 to 47.

Financial Instruments

Details of the use of financial instruments by the Group are contained in Note 21 of the financial statements.

Purchase of Own Shares

At the year end the Company had in place authority to purchase up to 15% of the issued ordinary shares under authority given by a resolution at the Annual General Meeting on 6 September 2023. This authority expires on 6 March 2025. During the year the Company did not utilise this authority. In the prior year the Company repurchased 15,000 shares at £13.55 with a nominal value of £750 at market value of £203k into treasury shares which get used for the all-employee share scheme.

Dividends

Details of the dividends are disclosed in Note 9 and in the Chairman's Statement on page 11.

Post balance sheet events

Details of post balance sheet events are included in Note 33.

Research and Development

During the year the Group has continued to invest in research and development in partnership with some of its customers to develop technical electronic solutions to address the demand of our customers in their core markets of electronic communications, mobile battery power and rugged and industrial computing. During the year we invested in excess of £2.5m (2023: £2.2m) in research and development. The Company continues to claim R&D tax credits where eligible.

Share options award

On 07 February 2024, the company granted options to the Senior Leadership team and the Executive Directors under the Company's LTIP and CSOP, further details are provided in the remuneration report on pages 62 to 67 and Note 28.

Employee engagement and Consultation

The Group places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees and on the various factors impacting the performance of the Group.

Further details set out in the Section 172 Statement on pages 34to 35 and within the Social report on pages 40 to 41.

Directors' Report
continued

Disabled persons

The Group gives fair consideration to applications for employment made by disabled persons, bearing in mind the particular aptitudes and abilities of the applicant concerned. In the event of employees becoming disabled, every effort will be made to ensure that their employment with the Group continues and that appropriate training and/or reasonable adjustments are arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should provide consistent opportunities to that of other employees.

Further details are set out in the ESG section of the strategic report on pages 40 to 41.

Insurance

The Group has in place appropriate Directors' and Officers' indemnity insurance for all Group companies.

Business relationships

Further details are set out in the section 172 Statement on pages 34 to 35.

Going Concern

Further details are set out in Note 1 of the financial statements and Audit Committee report on pages 58 to 60.

Renewal of authority to purchase the Company's shares

Last year, a resolution was passed at the Annual General Meeting to give the Company the authority to purchase its own Ordinary shares on the Stock Exchange. This authority would expire after a period of eighteen months from the passing of the resolution. In order to avoid this authority expiring during the next year and the need to call an extraordinary general meeting to renew the authority, a resolution to renew the authority is set out in the notice of the Annual General Meeting.

Under the terms of the resolution to be proposed at the Annual General Meeting, the maximum number of shares which may be purchased is 15% of the issued Ordinary share capital of the Company.

The minimum price payable by the Company for its Ordinary shares will be 5p and the maximum price will be determined by reference to current market prices. The authority will automatically expire after a period of eighteen months from the passing of the resolution unless renewed.

It is not the Directors' current intention to exercise the power to purchase the Company's Ordinary shares, but they believe that under certain circumstances it would be in the Company's best interests to do so.

Your Directors consider that the resolutions to be proposed at the meeting are in the best interests of the Company and its shareholders.

They unanimously recommend that all Ordinary shareholders vote in favour of the resolution at the Annual General Meeting as they intend to do in respect of their beneficial holdings.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the Group and parent company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and parent company financial statements for each financial year. The Directors have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare the Group financial statements in accordance with UK-adopted international accounting standards and have elected under company law to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The group financial statements are required by law and UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK adopted international accounting standards;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. In addition, the Directors are responsible for the maintenance and integrity of the corporate and financial information included in the Solid State plc website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the parent company's auditors are unaware, and
- that Director has taken all steps that ought to have been taken as a Director in order to be aware of any information needed by the auditors in connection with preparing their report and to establish that the parent company's auditors are aware of that information.

A resolution to re-appoint RSM UK Audit LLP as auditors will be proposed at the next annual general meeting.

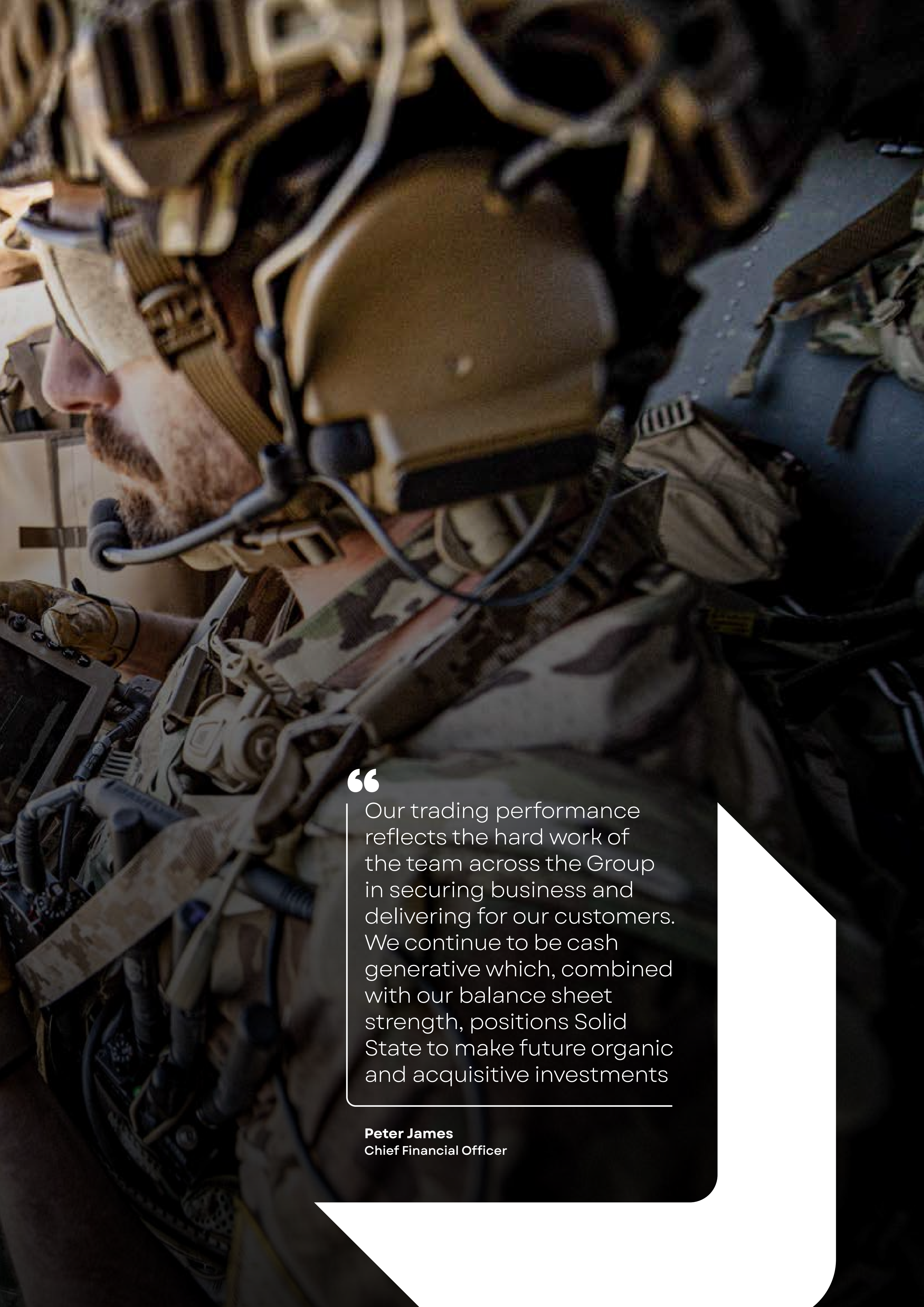
By order of the Board

L Davidson FCA
Secretary

5 July 2024

Registered Office: 2 Ravensbank Business Park, Hedera Road, Redditch, B98 9EY


Financials



> Our trading performance reflects the hard work of the team across the Group in securing business and delivering for our customers. We continue to be cash generative which, combined with our balance sheet strength, positions Solid State to make future organic and acquisitive investments

Peter James
Chief Financial Officer

Independent auditor's report

Opinion

We have audited the financial statements of Solid State plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2024 which comprise Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2024 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	**Group** • Revenue recognition • Inventory provisioning **Parent Company** • No key audit matters
Materiality	**Group** • Overall materiality: £725,000 (2023: £500,000) • Performance materiality: £543,000 (2023: £375,000) **Parent Company** • Overall materiality: £675,000 (2023: £450,000) • Performance materiality: £506,250 (2023: £337,500)
Scope	Our audit procedures covered 88% of revenue, 90% of total assets and 90% of adjusted profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Key audit matter description	Refer to accounting policies in note 1 to the group financial statements and note 3. The group's revenue comprises sales of electronic equipment to its customers. There is a significant amount of revenue recognised around the year end and are also certain contracts where obligations are satisfied over time. Revenue underpins the key performance measures of the group. There is a risk that revenue may be misstated around the year end through: • Inappropriate application of the group's revenue recognition policies; • Recognition of revenue in the wrong period; or • Inaccurate estimation of the costs to complete on contracts where revenue is recognised on a percentage of completion basis.
How the matter was addressed in the audit	We assessed whether revenue was recognised in line with the group's revenue recognition policies and the requirements of IFRS 15. We analysed the revenue recognised by week pre and post year end in each of the full scope components to identify unusual trends and to select a sample of items to confirm that revenue was recognised in accordance with underlying contractual terms and in the correct accounting period. We critically assessed the revenue recognition for specific contracts where revenue is recognised over the course of the agreement. This included confirming the IFRS 15 criteria for recognition over time were met based on the terms of the contract and recalculating the revenue recognised based on the costs incurred and total budgeted costs to complete.

Inventory provisioning

Key audit matter description	Refer to accounting policies and critical accounting judgements in notes 1, 2 and 15. The valuation of inventory, which by its nature is specialist, involves judgement relating to the potential obsolescence of inventory including net realisable value (NRV). The provision is determined using a two-stage process. Firstly, a mechanical calculation is prepared based on inventory ageing. Secondly, management review and revise the provisions based on their knowledge and experience. Accordingly, there is a high degree of estimation uncertainty and the amounts involved are material to the group.
How the matter was addressed in the audit	We reviewed and understood the group's accounting policy and how this satisfied the requirements of IAS2 'Inventories'. We challenged management's methodology by retrospectively assessing the prior year provision based on actual outturn. We also assessed the current year provision using an alternative approach based on historical usage and sales data. Our analysis highlighted certain inventory items which were potentially at risk and not provided for. For a sample of these items we obtained explanations and supporting evidence to demonstrate they were recoverable such as customer orders or supplier return agreements. We also performed testing to ensure that the valuation of inventory was stated at the lower of cost or NRV by selecting a sample of inventory items and comparing the post year end sales value of the products to their actual cost.

Independent auditor's report continued

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£725,000 (2023: £500,000)	£675,000 (2023: £450,000)
Basis for determining overall materiality	4.7% of adjusted profit before tax	2% of net assets
Rationale for benchmark applied	Adjusted profit before tax is deemed to be the primary performance measure for the users of the financial statements to review the financial performance of the Group	Net assets is considered to be the most appropriate benchmark for the holding company
Performance materiality	£543,000 (2023: £375,000)	£506,350 (2023: £337,500)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £36,200 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £33,750 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 16 components, located in the United Kingdom, USA and Ireland.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Adjusted profit before tax
Full scope audit	4	88%	88%	90%
Specific audit procedures	1	0%	2%	0%
Total	5	88%	90%	90%

Analytical procedures at group level were performed for the remaining 11 components.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included

- confirming the ongoing availability of financing during the going concern period including agreeing loan maturity dates and the terms of the facilities;
- obtaining management's forecast cash flows including the liquidity and covenant headroom and checking their mechanical accuracy;
- challenging the reasonableness of the forecasts with reference to historical forecasting accuracy, committed orders, and the uncertain economic environment;
- considering the plausibility of mitigating actions in a downside scenario and the reasonableness of the expected savings; and
- performing a reverse stress test to calculate the deterioration in future performance required to erode the liquidity headroom and evaluating the likelihood of this scenario.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 70 and 71, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report continued

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team included:
IFRS/UK-adopted IAS, FRS102 and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Review of tax workings and inspection of any correspondence with local tax authorities where any has been received.
Export Control and International Traffic in Arms (ITAR)	ISAs limit the required audit procedures to identify non-compliance with these laws and regulations to inquiry of management and where appropriate, those charged with governance and inspection of legal and regulatory correspondence, if any.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	See key audit matters above.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Williams (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants
103 Colmore Row
Birmingham
B3 3AG

5 July 2024

Consolidated statement of comprehensive income

For the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Revenue	3, 31	**163,303**	126,503
Cost of sales		**(111,476)**	(86,829)
Gross profit		**51,827**	39,674
Sales, general and administration expenses		**(38,149)**	(30,266)
Operating profit	4	**13,678**	9,408
Finance costs	6	**(1,491)**	(972)
Profit before taxation		**12,187**	8,436
Tax expense	7	**(3,281)**	(1,746)
Adjusted profit after taxation		**11,680**	8,553
Adjustments to profit after taxation	30	**(2,774)**	(1,863)
Profit after taxation		**8,906**	6,690
Profit attributable to equity holders of the Parent		**8,872**	6,693
Profit/(loss) attributable to non-controlling interests		**34**	(3)
Items that may be reclassified to profit and loss			
Other comprehensive loss – FX on overseas operations		**(679)**	(869)
Other comprehensive loss – taxation	7	**–**	(94)
Adjusted total comprehensive income		**11,001**	7,684
Adjustments to total comprehensive income	30	**(2,774)**	(1,957)
Total comprehensive income for the year		**8,227**	5,727
Comprehensive income attributable to equity holders of the Parent		**8,193**	5,730
Comprehensive income/(loss) attributable to non-controlling interests		**34**	(3)

Earnings per share		2024	2023
Basic EPS from profit for the year	8	**78.0p**	64.5p
Diluted EPS from profit for the year	8	**76.0p**	63.1p

Adjusted EPS measures are reported in Note 8 to the accounts.

All results presented for the current and comparative period are generated from continuing operations.

The notes on pages 85 to 122 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2024

For the year ended 31 March 2024

	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 March 2023	**567**	**30,474**	**(836)**	**5**	**27,805**	**(108)**	**57,907**	**47**	**57,954**
Issue of new shares	2	107	–	–	–	–	**109**	–	**109**
Share-based payment credit	–	–	–	–	803	–	**803**	–	**803**
Transfer of treasury shares to AESP	–	–	–	–	(72)	72	–	–	–
Dividends	–	–	–	–	(2,322)	–	**(2,322)**	–	**(2,322)**
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)**	**(1,591)**	**72**	**(1,479)**	**(81)**	**(1,560)**
Result for the year ended 31 March 2024	–	–	–	–	8,872	–	**8,872**	34	**8,906**
Foreign Exchange via OCI	–	–	(679)	–	–	–	**(679)**	–	**(679)**
Total comprehensive income	**–**	**–**	**(679)**	**–**	**8,872**	**–**	**8,193**	**34**	**8,227**
Purchase of treasury shares	–	–	–	–	–	(1)	(1)	–	(1)
Balance at 31 March 2024	**569**	**30,581**	**(1,515)**	**(64)**	**35,086**	**(37)**	**64,620**	–	**64,620**

For the year ended 31 March 2023

	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 March 2022	**428**	**3,625**	**33**	**5**	**23,042**	**(57)**	**27,076**	**–**	**27,076**
Issue of new shares	139	26,849	–	–	–	–	**26,988**	–	**26,988**
Share-based payment credit	–	–	–	–	551	–	**551**	–	**551**
Transfer of treasury shares to AESP	–	–	–	–	(152)	152	**–**	–	**–**
Dividends	–	–	–	–	(2,235)	–	**(2,235)**	–	**(2,235)**
Transactions with non-controlling interests	–	–	–	–	–	–	**–**	50	**50**
Transactions with owners in their capacity as owners	**139**	**26,849**	**–**	**–**	**(1,836)**	**152**	**25,304**	**50**	**25,354**
Result for the year ended 31 March 2023	–	–	–	–	6,693	–	**6,693**	(3)	**6,690**
Other comprehensive income	–	–	(869)	–	(94)	–	**(963)**	–	**(963)**
Total comprehensive income	**–**	**–**	**(869)**	**–**	**6,599**	**–**	**5,730**	**(3)**	**5,727**
Purchase of treasury shares	–	–	–	–	–	(203)	**(203)**	–	**(203)**
Balance at 31 March 2023	**567**	**30,474**	**(836)**	**5**	**27,805**	**(108)**	**57,907**	**47**	**57,954**

The notes on pages 85 to 122 form part of these financial statements.

Consolidated statement of financial position

As at 31 March 2024

	Note	2024 £'000	2023 £'000
Assets			
Non-current assets			
Intangible assets	12	**40,109**	41,563
Property, plant and equipment	10	**4,229**	4,718
Right-of-use lease assets	11	**3,586**	1,981
Deferred tax asset	23	**605**	375
Total non-current assets		**48,529**	48,637
Current assets			
Inventories	15	**25,084**	33,228
Trade and other receivables	16	**31,526**	19,699
Cash and cash equivalents – on deposit	22	**–**	4,032
Cash and cash equivalents – available on demand	22	**8,445**	8,192
Total current assets		**65,055**	65,151
Total Assets		**113,584**	113,788
Liabilities			
Current liabilities			
Trade and other payables	17	**(21,644)**	(23,735)
Deferred and contingent consideration on acquisitions – current	17, 21, 22	**–**	(5,679)
Current borrowings	19, 21, 22	**(3,398)**	(1,279)
Contract liabilities	18	**(6,460)**	(5,380)
Corporation tax liabilities		**(1,224)**	(1,110)
Right-of-use lease liabilities	20	**(1,106)**	(1,057)
Provisions	24	**(126)**	(323)
Total current liabilities		**(33,958)**	(38,563)
Non-current liabilities			
Non-current borrowings	19, 21, 22	**(9,718)**	(13,383)
Provisions	24	**(843)**	(715)
Deferred tax liability	23	**(1,979)**	(2,187)
Right-of-use lease liabilities	20	**(2,466)**	(986)
Total non-current liabilities		**(15,006)**	(17,271)
Total liabilities		**(48,964)**	(55,834)
Total net assets		**64,620**	57,954
Share capital	25	**569**	567
Share premium reserve	26	**30,581**	30,474
Other Reserves	26	**(64)**	5
Foreign exchange reserve	26	**(1,515)**	(836)
Retained earnings	26	**35,086**	27,805
Shares held in treasury	26, 27	**(37)**	(108)
Capital and reserves attributable to equity holders of the Parent		**64,620**	57,907
Non-controlling interests	26	**–**	47
Total Equity		**64,620**	57,954

The financial statements were approved by the Board of Directors and authorised for issue on 5 July 2024 and were signed on its behalf by:

G S Marsh
Director

P O James
Director

The notes on pages 85 to 122 form part of these financial statements.

Consolidated statement of cash flows
For the year ended 31 March 2024

	Note	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Operating activities					
Profit before taxation			**12,187**		8,436
Adjustments for:					
Property, plant and equipment depreciation and impairment			**2,069**		1,159
Right-of-use asset depreciation			**1,040**		965
Amortisation of intangible assets			**2,281**		2,035
Profit on disposal of property, plant and equipment			**(1)**		(45)
Share-based payment expense			**803**		551
Finance costs			**1,491**		972
Decrease in deferred contingent consideration			**(21)**		(326)
Profit from operations before changes in working capital and provisions			**19,849**		13,747
Decrease/ (increase) in inventories		**8,078**		(12,457)	
(Increase)/ decrease in trade and other receivables		**(12,175)**		1,767	
(Decrease)/ increase in trade and other payables		**(1,231)**		6,380	
Decrease in provisions		**(248)**		–	
			(5,576)		(4,310)
Cash generated from operations			**14,273**		9,437
Income taxes paid		**(3,331)**		(573)	
Income taxes received		**9**		184	
Total taxes paid	7		**(3,322)**		(389)
Net cash inflow from operating activities			**10,951**		9,048
Investing activities					
Purchase of property, plant and equipment		**(1,524)**		(1,145)	
Capitalised own costs and purchase of intangible assets		**(1,312)**		(1,197)	
Proceeds of sales from property, plant and equipment		**161**		153	
Settlement of deferred consideration in respect of prior year acquisitions	22	**(5,535)**		(4,625)	
Payments for acquisition of subsidiaries net of cash acquired		**–**		(28,662)	
Net cash outflow from investing activities			**(8,210)**		(35,476)
Financing activities					
Proceeds from issue of ordinary shares		**109**		26,988	
Repurchase of ordinary shares into treasury		**(1)**		(203)	
Borrowings drawn	22	**2,126**		15,872	
Borrowings repaid	22	**(3,742)**		(2,772)	
Principal payment obligations for right-of-use assets		**(1,230)**		(1,093)	
Interest paid		**(1,282)**		(865)	
Transactions with non-controlling interests		**(150)**		50	
Dividend paid to equity shareholders	9	**(2,322)**		(2,235)	
Net cash (outflow)/ inflow from financing activities			**(6,492)**		35,742
(Decrease)/ increase in cash and cash equivalents	22		**(3,751)**		9,314

The notes on pages 85 to 122 form part of these financial statements.

Consolidated statement of cash flows continued
For the year ended 31 March 2024

	2024 £'000	2023 £'000
Translational foreign exchange on opening cash	**(28)**	(14)
Net (decrease)/ increase in cash	**(3,751)**	9,314
Cash at beginning of year	**12,224**	2,924
Cash at end of year	**8,445**	12,224

There were no significant non-cash transactions. Cash and cash equivalents comprise:

	2024 £'000	2023 £'000
Cash available on demand	**8,445**	8,192
Overdraft facility	**(2,056)**	–
Cash on deposit	**–**	4,032
Net cash and cash equivalents	**6,389**	12,224

Notes to the Financial Statements
For the year ended 31 March 2024

1. Accounting policies
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.

Basis of preparation
The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented.

These financial statements have been prepared in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The Group financial statements are presented in pounds sterling, which is the functional and presentational currency of the Group, and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

Going concern
In assessing the going concern position of the Group for the Consolidated Financial Statements for the year ended 31 March 2024, the Directors have considered the Group's cash flows, liquidity and business activities.

At 31 March 2024, the Group has net debt (excluding IFRS16) of £4.7m. Furthermore, the Group has a £10.0m revolving credit facility, which was not drawn at the year end.

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.

In preparing the going concern assessment, the Directors considered the principal risks and uncertainties that the business faced, which have been disclosed on pages 44 to 47.

The Directors have prepared a base case and a severe downside scenario, taking 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 based a period to 30 September 2025, which has been prepared based on an extension of the budget for FY24/25.

In preparing a severe downside scenario, it assumes a shortfall in Group revenue of ~20% over a 12-month period and a 3% margin erosion with limited cost mitigation, resulting in EBITDA reducing by ~60% compared to the Board's base case expectations. Even with this level of reduction to Group EBITDA, when combined with the mitigating actions that are within the Group's control, the Group would fully comply with covenants and maintains 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.

Notes to the Financial Statements continued

For the year ended 31 March 2024

1. Accounting policies continued

Changes in accounting policy and disclosures

New standards, amendments and interpretations adopted in the year

The following new standards, amendments and interpretations have been adopted by the Group for the first time for the financial year beginning on 1 April 2023:

- Amendments to IAS 1 and IFRS Practice Statement 2, disclosure of accounting policies, effective for annual reporting periods beginning on, or after, 1 January 2023
- Amendments to IAS 8 regarding the definition of accounting estimates, effective for annual reporting periods beginning on, or after, 1 January 2023
- Amendments to IAS 12 regarding deferred tax on leases and decommissioning obligations, and Pillar Two model rules effective for annual reporting periods beginning on, or after, 1 January 2023

The adoption of these standards and amendments has not had a material impact on the financial statements.

New standards, amendments and interpretations to published standards issued, but not yet effective and not early adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the 31 March 2024 reporting period and have not been early adopted by the Group, are listed below. None of these are expected to have a material impact on the Group's financial results in the current or future reporting periods. The Group intends to adopt these standards considered relevant when they become effective.

- Amendments to IAS 1 and IFRS Practice Statement 2, regarding the classification of liabilities and non-current liabilities with covenants effective for annual reporting periods beginning on, or after, 1 January 2024
- Amendments to IFRS 16 regarding lease liabilities in a Sale and Leaseback arrangement, effective for annual reporting periods beginning on, or after, 1 January 2024
- Amendments to IAS 7 and IFRS 7, regarding supplier finance arrangements, effective for annual reporting periods beginning on, or after, 1 January 2024
- IFRS 18 issued in April 2024 to replace IAS1, regarding presentation and disclosure in financial statements, effective for annual reporting periods beginning on, or after, 1 January 2027

Principle of consolidation

The consolidated financial statements incorporate the financial results and position of the Parent and its subsidiaries.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Business combinations

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of financial position respectively.

The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Acquisition-related costs are expensed as incurred.

The consideration transferred for the acquisition of a subsidiary comprises the: fair values of the assets transferred; liabilities incurred to the former owners of the acquired business; equity interests issued by the Group; fair value of any asset or liability resulting from a contingent consideration arrangement; and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured, initially, at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

1. Accounting policies continued

Business combinations (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and acquisition date fair value of any previous equity interest in the acquired entity, over the fair value of the net identifiable assets acquired, is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are, subsequently, remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Impairment of non-financial assets

Non-financial assets that have an indefinite useful life (e.g. goodwill) or other intangible assets that are not ready to use and, therefore, not subject to amortisation (e.g. ongoing incomplete R&D programmes) are reviewed, at least annually, for impairment.

Impairment tests on goodwill are undertaken annually on 31 March, and on other non-financial assets whenever events or changes in circumstances indicate that their carrying value may not be reasonable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Impairment charges are included in sales, general and administration expenses in the consolidated statement of comprehensive income, except to the extent that they reverse gains previously recognised in the consolidated statement of recognised income and expense. An impairment loss recognised for goodwill is not reversed.

Intangible assets

a) Goodwill

Goodwill arising on an acquisition is recognised as an asset and is, initially, measured at cost, being the excess of the fair value of the consideration over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is not amortised. However, it is reviewed for potential impairment at least annually or more frequently if events or circumstances indicate a potential impairment. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units to which it relates. Any impairment identified is charged directly to the consolidated statement of comprehensive income. Subsequent reversals of impairment losses for goodwill are not recognised.

b) Development costs

Expenditure incurred that is directly attributable to the development of new, or substantially improved, products or processes is recognised as an intangible asset when the following criteria are met:

- The product or process is intended for use or sale.
- The development is technically feasible to complete.
- There is an ability to use or sell the product or process.
- It can be demonstrated how the product or process will generate probable future economic benefits.
- There are adequate technical, financial and other resources to complete the development.
- The development expenditure can be reliably measured.

Notes to the Financial Statements continued

For the year ended 31 March 2024

1. Accounting policies continued

Intangible assets (continued)

Directly attributable costs refers to the materials consumed, the directly attributable labour and the incremental overheads incurred in the development activity. General operating costs, administration costs and selling costs do not form part of directly attributable costs.

All research and other development costs are expensed as incurred.

Capitalised development costs are amortised on a straight-line basis over the period, during which the economic benefits are expected to be received, typically ranging between one and five years. Amortisation expense is included within sales, general and administration expenses in the statement of comprehensive income.

The estimated remaining useful lives of development costs are reviewed at least on an annual basis. Amortisation commences once the project is completed and revenues are being generated.

The carrying value of capitalised development costs is reviewed for potential impairment at least annually, or more frequently if events or circumstances indicate a potential impairment. Any impairment identified is immediately charged to the consolidated statement of comprehensive income.

c) Software

Externally acquired software assets are, initially, recognised at cost and, subsequently, amortised on a straight-line basis over their useful economic lives. Cost includes all directly attributable costs of acquisition. In addition, directly attributable costs incurred in the development of bespoke software for the Group's own use are capitalised.

The useful economic life over which the software is being amortised has been assessed to be three to five years.

The carrying value of capitalised software costs is reviewed for potential impairment at least annually, or more frequently if events or circumstances indicate a potential impairment. Any impairment identified is immediately charged to the consolidated statement of comprehensive income.

The costs of maintaining internally developed software, and annual licence fees to utilise third-party software, are expensed as incurred.

d) Other intangibles

Other intangible assets are those which arise on business combinations in accordance with IFRS3 revised. These intangible assets form part of the identifiable net assets of an acquired business and are recognised at their fair value and amortised on a systematic basis over their useful economic life which is, typically, five to ten years. This includes the open orderbook, brand and customer relationships, the fair value of which are evaluated using the multi-period excess earnings method ("MEEM").

Capitalised acquisition intangibles are amortised on a straight-line basis over the period during which the economic benefits are expected to be received, which, typically, range between five and ten years. Amortisation expense is included within sales, general and administration expenses in the statement of comprehensive income.

The carrying value of other intangible assets is reviewed for potential impairment at least annually, or more frequently if events or circumstances indicate a potential impairment. Any impairment identified is immediately charged to the consolidated statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment is stated at historical cost or deemed cost where IFRS1 exemptions have been applied, less accumulated depreciation and any recognised impairment losses.

Costs include the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use, including any qualifying finance expenses.

Depreciation is provided on all items of property, plant and equipment to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

- Short leasehold property improvements – straight line over minimum life of lease
- Fittings and equipment – 25% per annum on a reducing balance basis or a straight-line basis over three-to-five years with an appropriate residual value as considered most appropriate
- Computers – between 20% and 33.3% per annum on a straight-line basis
- Motor vehicles – 25% per annum on a reducing balance basis

The residual values and useful lives of the assets are reviewed, and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated net realisable value. Gains and losses on disposal are determined by comparing proceeds with carrying amounts. These are included in the consolidated statement of comprehensive income.

1. Accounting policies continued

Leases

IFRS16 "Leases" addresses the definition of a lease, the recognition and measurement of leases and establishes the principles for the reporting useful information to users of the financial statements about the leasing activities of both lessees and lessors.

The Group has applied judgement to determine the lease term for some lease contracts, in which, as lessee, there includes a renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognised.

The lease liability reflects the present value of the future rental payments and interest, discounted using either the effective interest rate or the incremental borrowing rate of the entity.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis over the lease term as an expense within the income statement.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at, or before, the commencement date less any lease incentives received. Right-of-use assets are related to the property leases, plant and machinery and motor vehicles, and are depreciated on a straight-line basis over the lease term.

Right-of-use lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include lease payments less any lease incentives receivable. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on either average purchase cost or the cost of purchase on a first in, first out basis, which is the most appropriate for the category of inventory. Work in progress and finished goods include labour and attributable overheads. Net realisable value is based on estimated selling price less any additional costs to completion and disposal.

Financial instruments

Classification and measurement of financial instruments under IFRS9 classifies financial assets as held at amortised cost, fair value through other comprehensive income("FVOCI") or fair value through profit or loss, dependent on the business model and cash flow characteristics of the financial instrument.

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables are initially measured at their transaction price. Other receivables are initially recognised at fair value plus transaction costs.

Receivables are held to collect the contractual cash flows, which are solely payments of principal and interest. Therefore, these receivables are, subsequently, measured at amortised cost using the effective interest rate method.

The effect of discounting on these financial instruments is not considered to be material.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Notes to the Financial Statements continued

For the year ended 31 March 2024

1. Accounting policies continued

Impairment of financial assets

IFRS9 requires an expected credit loss ("ECL") model, which broadens the information that an entity is required to consider when determining its expectations of impairment. Under this new model, expectations of future events must be taken into account and this will result in the earlier recognition of potential impairments.

An impairment loss is recognised for the expected credit losses on-financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

Impairment of trade receivables

For trade receivables, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the ageing of the receivable.

The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses"). Different provision rates and periods are used based on groupings of historic credit loss experience by product type, customer type and location.

Impairment of other receivables

The measurement of impairment losses depends on whether the financial asset is "performing", "underperforming" or "non-performing" based on the Company's assessment of increases in the credit risk of the financial asset since its initial recognition and any events that have occurred before the year end, which have a detrimental impact on cash flows.

The financial asset moves from "performing" to "underperforming" when the increase in credit risk since initial recognition becomes significant.

In assessing whether credit risk has increased significantly, the Company compares the risk of default at the year end with the risk of a default when the investment was, originally, recognised using reasonable and supportable past and forward-looking information that is available without undue cost.

The risk of a default occurring takes into consideration default events that are possible within 12 months of the year end ("the 12-month expected credit losses") for "performing" financial assets, and all possible default events over the expected life of those receivables ("the lifetime expected credit losses") for "underperforming" financial assets.

Impairment losses and any, subsequent, reversals of impairment losses are adjusted against the carrying amount of the receivable and are recognised in profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial liabilities are classified as either:

- Financial liabilities at amortised cost; or
- Financial liabilities as at fair value through profit or loss ("FVTPL").

Any contingent consideration due in relation to acquisitions is measured at FVTPL with all other financial liabilities measured at amortised cost and include:

- Trade and other payables
- Contract liabilities
- Borrowings
- Lease liabilities
- Deferred consideration for acquisitions

1. Accounting policies continued

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

They are, initially, recognised at fair value net of direct transaction costs and, subsequently, held at amortised cost.

Contract liabilities

Contract liabilities comprise payments in advance of revenue recognition and revenue deferred due to contract performance obligation not being completed.

They are classified as current liabilities if the contract performance obligations payment are due to be completed within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Contract liabilities are recognised, initially, at fair value, and, subsequently, stated at amortised cost.

Borrowings

Borrowings are recognised, initially, at fair value, net of transaction costs incurred and, subsequently, stated at amortised cost. Borrowing costs are expensed using the effective interest method.

Equity instruments and share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares

Where any Group Company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

These shares are held in a separate negative reserve in the capital section of the consolidated statement of financial position. Any dividends payable in relation to these shares are cancelled.

Where such shares are, subsequently, sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recognised when paid. Final dividends are recognised when approved by the shareholders at an Annual General Meeting.

Adjusted performance metrics and non-recurring charges/credits

Non-recurring charges/credits are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. Transactions are classified as non-recurring where they relate to an event that falls outside of the ordinary activities of the business and where, individually or in aggregate, they have a material impact on the financial statements.

In presenting our adjusted performance metrics, we also exclude the non-cash charges/credits that relates to acquisition accounting and share-based payments and the associated tax effect of these items.

Notes to the Financial Statements continued

For the year ended 31 March 2024

1. Accounting policies continued

Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which it operates are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are retranslated at the rates ruling at the balance sheet date. Exchange differences arising are recognised in the statement of comprehensive income.

Revenue

The Group manufactures and distributes a range of electronic equipment. Revenue comprises sales to external customers after discounts, excluding value-added taxes.

The Group's performance obligations with respect to physical goods is to deliver a finished product to a customer.

Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full control over the products supplied, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Where performance obligations have not be satisfied at the reporting date, any advanced payments are recognised as contract liabilities.

For goods that are subject to bill and hold arrangements, this means:

- the goods are complete and ready for collection;
- the goods are separately identified from the Group's other stock and are not used to fulfil any other orders; and
- the customer has specifically requested that the goods be held pending collection.

Normal payment terms apply to the bill and hold arrangements.

Certain contracts contain distinct performance obligations, each of which transfers control of goods or services to the customer. Where such distinct performance obligations are present, revenue is recognised on each element in accordance with the policy on the sale of goods. The service element of the contract is usually insignificant in relation to the total contract value and revenue is recognised when the service is complete.

Where this is not the case, revenue is recognised in proportion to the stage of completion of the contract at the balance sheet date, where the terms of the contract allow an invoicing, including a reasonable margin, in the event of customer cancellation. The stage of completion is assessed by reference to the contractual performance obligations with each separate customer and the costs incurred on the contract to date in comparison to the total forecast costs of the contract. Revenue recognition commences only when the outcome of the contract can be reliably measured.

Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days, which is consistent with market practice. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a returns provision. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Directors, who are responsible for allocating resources and assessing performance of the operating segments.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Executive Directors assess the performance of the operating segments based on the measures of revenue, Profit Before Taxation ("PBT")and Profit After Taxation ("PAT"). Central overheads are not allocated to the business segments.

1. Accounting policies continued

Government grants

Income received from government grants is recognised as "Other Income" within operating profit in the statement of comprehensive income in the same period as the staff costs to which the income relates. Government grant income is only recognised once there is reasonable assurance both that the Group will comply with any conditions and that the grant will be received.

Pensions

The pension schemes operated by the Group are defined contribution schemes. The pension cost charge represents the contributions payable by the Group.

Current and deferred taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

Taxable profit differs from accounting profit because it excludes certain items of income and expense that are recognised in the financial statements but are treated differently for tax purposes. Current tax is the amount of tax expected to be payable or receivable on the taxable profit or loss for the current period. This amount is then amended for any adjustments in respect of prior periods.

Current tax is calculated using tax rates that have been written into law ("enacted") or irrevocably announced/ committed by the respective Government ("substantively enacted") at the period end date. Current tax receivable (assets) and payable (liabilities) are offset only when there is a legal right to settle them net and the entity intends to do so. This is, generally, true when the taxes are levied by the same tax authority.

Because of the differences between accounting and taxable profits and losses reported in each period, temporary differences arise on the amount certain assets and liabilities are carried at for accounting purposes and their respective tax values. Deferred tax is the amount of tax payable or recoverable on these temporary differences.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the differences can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted, or substantively enacted, by the statement of financial position date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities, and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Share-based payment

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive income over the remaining vesting period.

Notes to the Financial Statements continued
For the year ended 31 March 2024

2. Critical accounting estimates and judgements
The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies and relevant legislation. This note provides an overview of the areas that involved a higher degree of judgement or estimation complexity as noted, and of items that are more likely to be materially adjusted due to assumptions driving the estimates or judgements turning out to be wrong.

Provisions for slow-moving or obsolete inventories (estimation)
Inventories are carried at the lower of cost and net realisable value ("NRV"). NRV is reviewed in detail on an ongoing basis and provision for obsolete inventory is made based on several factors including age of inventories, the risk of technical obsolescence, the risk that customers default on customised product and the expected future usage.

This estimate is considered highly judgemental given the deliberate investment in inventory during the prior financial year to mitigate the challenge presented by market component shortages which were widespread in 2023. An element of working capital risk can be mitigated with receiving advance customer deposits; however, there remains a risk of default and order cancellation.

Differences between such estimates and actual market conditions may have a material impact on the amount of the carrying value of inventories and may result in adjustments to cost of sales. In Note 15 we provide details of the inventory provisions and the amounts written off to the consolidated statement of comprehensive income in the year.

While year-on-year we have seen a significant decrease in the inventory values held, there is a risk of the remaining inventory becoming excess or obsolete. The absolute provisions have fallen £0.9m reflecting the utilisation of the provision as we ceased the legacy US production the overall percentage of gross stock provided for has increased 1%.

Expected credit losses (estimation)
In accordance with IFRS 9, the Group is required to assess the expected credit loss occurring over the life of its trade receivables. The Directors recognise that the risk of credit default continues to be higher than historical norms as the Group's receivables increase; however, the Group has experienced no material credit losses in the reported period after careful credit management. As a result, the Directors have made a judgemental assessment of the potential credit losses in the current business environment. This includes the forward assessment of ongoing component shortages, where customers could suffer adverse cash flow.

In these financial statements the Directors have provided full disclosures of the provisions for credit default in Note 21.

The calculation of the provision based on the Directors' judgemental assessment of expected credit loss reflects a £0.4m increase to the overall figure from 2023 as a result of a deterioration of the aging of receivables.

If the Group were to provide for all debt that is overdue according to agreed credit terms, the recognised provision would increase by £1.5m to £2.6m.

Estimated useful life of intangible assets arising on acquisitions (estimation)
The periods of amortisation adopted to write down intangible assets arising on acquisitions (Note 12) requires estimates to be made in respect of the useful economic lives of the intangible assets to determine an appropriate amortisation rate.

Intangible assets arising on acquisitions are amortised on a straight-line basis over the period during which economic benefits are expected to be received, which is, typically, five to ten years.

The amortisation charge for intangible assets arising on acquisitions is £1.8m; if the remaining useful economic lives of the acquired assets were limited to 5 years the charge would increase by £0.6m.

2. Critical accounting estimates and judgements continued

Level of R&D expenditure that is eligible for R&D tax credits (judgement)

Uncertainties exist in relation to the interpretation of complex tax legislation, changes in tax laws and the amount and timing of future taxable income. This could necessitate future adjustments to taxable income and expense already recorded (Note 7).

At the year-end date, tax liabilities and assets reflect management's judgements in respect of the application of the tax regulations, in particular the R&D tax. In assessing our year-end corporation tax liability, we have made a provisional assessment as to the likely amount of development expenditure that will be eligible under the revised R&D tax credit scheme as the detailed tax computations have not been completed. The assumption reflects that the level of R&D spend is comparable with the prior year submitted R&D claims. The result of this is an RDEC credit of £0.3m (2023: £0.3m) which has been recognised in Other Income.

Our estimated taxation exposure at year end assumed that the level of eligible R&D spend was comparable with prior years. At 31 March 2024, there are net current and deferred tax provisions totalling, approximately, £2.5m (2023: £2.9m).

Due to the uncertainties noted above, it is possible that the Group's initial R&D position is different to the final position adopted when the tax computation is finalised, resulting in a different tax payable or recoverable from the amounts provided.

Recognition criteria for capitalisation of development expenditure (judgement)

The Group capitalises R&D in accordance with IAS 38 (Note 12). There is judgement in respect of when (or if) R&D projects meet the requirement for capitalisation, which internal costs are directly attributable and, therefore, appropriate to capitalise, and when the development programme is complete and capitalisation should cease.

Amounts capitalised include the total cost of any external products or services and labour costs directly attributable to the development programme. Management judgement is involved in determining the appropriate internal costs to capitalise that are directly attributable to the development programme.

If there is any uncertainty in terms of the technical feasibility, ability to sell the product or any other risk that means the programme does not meet the requirements of the standard the R&D costs are expensed within the consolidated statement of comprehensive income.

Revenue recognition on customer contracts spanning financial periods (estimate and judgement)

The Group continues to enter into a higher volume of contracts with customers that require judgement on appropriate milestones to recognise the related revenue in accordance with IFRS 15. This has partially driven the £1.1m (2023: £1.9m) increase in contract liabilities (Note 18) in the financial year.

Key judgements can include the timing of the transfer of ownership of inventory to the customer under bill-and-hold arrangements as well as the determination of the appropriate contractual milestones and whether the criteria have been met to recognise revenue. A further area of judgement is whether revenue can be recognised on a costs incurred to date basis, plus a reasonable margin to support revenue recognition over time. To apply a percentage of completion methodology requires a reasonable estimation of the total expected costs to complete and the contractual ability to recover the costs to date plus a margin in the event of customer cancellation.

For material contracts that involve a significant level of judgement, management from various business areas will document and communicate the key judgement areas regarding ownership obligations, contractual commitments, and any other relevant inputs to result in the recognition of revenue to the Audit Committee to ensure this judgement is appropriately reviewed and challenged.

Notes to the Financial Statements continued

For the year ended 31 March 2024

3. Revenue

The Group derives revenue from the transfer of goods at a point in time in the following major product lines and geographical regions:

	2024 £'000	2023 £'000
Geography		
United Kingdom	**69,921**	71,649
Rest of Europe	**55,360**	18,202
Asia	**8,759**	8,811
North America	**28,667**	27,205
Rest of World	**596**	636
Total revenue	**163,303**	126,503
Product		
Computing products	**21,740**	21,718
Communications products	**53,530**	11,005
Power products	**28,120**	24,789
Opto electronic and electronic components and modules	**59,913**	68,991
	163,303	126,503

See further segmental disclosures in Note 31.

4. Operating profit

This has been arrived at after charging/(crediting):

	2024 £'000	2023 £'000
Staff costs excluding share-based payments (see Note 5)	**28,714**	23,681
Share-based payment expenses	**803**	551
Depreciation of property, plant and equipment	**1,581**	1,159
Depreciation of right-of-use asset	**1,040**	965
Amortisation of intangible assets	**2,291**	2,035
(Profit)/loss on disposal of property, plant and equipment	**(1)**	(45)
Auditors' remuneration - audit fees	**247**	245
Research and development costs (includes relevant staff costs)	**2,530**	2,190
RDEC Credit	**(277)**	(285)
Foreign exchange expense	**191**	269
Stock write downs (see Note 15)	**2,049**	777
Acquisition of subsidiaries legal and due diligence	**78**	234
Other income from government grants	**–**	(14)

The foreign exchange differences have been treated as an adjustment to cost of sales rather than as an overhead as they arise from sales income and cost-of-sales expenditures.

5. Staff costs

Staff costs for all employees during the year, including the Executive Directors, were as follows:

	2024 £'000	2023 £'000
Wages and salaries	**24,485**	20,173
Social security costs	**2,331**	2,147
Pension costs	**1,898**	1,361
Share-based payment charges	**803**	551
Total staff costs	**29,517**	24,232

Wages and salaries include termination costs of £375k (2023: £45k).

The average monthly number of employees during the year, including the Executive Directors, was as follows:

	2024 Number	2023 Number
Selling and distribution	**158**	136
Manufacturing and assembly	**176**	167
Management and administration	**99**	101
	433	404

As the Group grows, we continue to invest in and develop the senior leadership team, who are considered to be key management personnel. Following the establishment of the Executive Board in 2024 and a more streamlined Governance structure we have revised our assessment of the key management personnel. Comparatives as if the same structure existed in 2023 have been presented for reference to enable a like for like comparison. Detailed disclosures in relation to Non-Executive and Executive remuneration can be found in the Remuneration Report on pages 62 to 67.

This senior leadership team includes the Executive Directors. The key management team and their total compensation, including employer's NI, totals £2,436k (2023 on consistent basis: £1,881k; 2023 as disclosed: £4,075k). The amount charged in respect of share-based payments for key management personnel is £540k (2023 on consistent basis: £392k; 2023 as disclosed: £382k). The amount charged in respect of defined contribution pension payments for key management personnel is £56k (2023 on consistent basis: £10k; 2023 as disclosed: £143k). Retirement benefits are accruing to 4 Directors under money purchase schemes (2023: 4).

6. Finance costs

	2024 £'000	2023 £'000
Bank borrowings	**1,317**	790
Interest on lease liabilities	**139**	46
Imputed interest	**35**	136
Total finance costs	**1,491**	972

Notes to the Financial Statements continued
For the year ended 31 March 2024

7. Tax expense

	2024 £'000	2023 £'000
Analysis of total tax expense		
Total tax charge	**3,281**	1,840
	3,281	1,840
Current tax expense		
Group corporation tax on profits for the year	**3,795**	1,537
Adjustment in respect of prior periods	**(80)**	(283)
	3,715	1,254
Deferred tax expense		
Deferred tax expense (credited)/ charged to income statement	**(190)**	398
Adjustment in respect of prior periods	**(244)**	94
	(434)	492
Total tax charge to income statement	**3,281**	1,746
Deferred tax expense charged to other comprehensive income	**–**	94
Total tax charge to comprehensive income	**3,281**	1,840

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:

	2024 £'000	2023 £'000
Profit before tax	**12,187**	8,436
Expected tax charge based on the standard rate of corporation tax in the UK of 25% (2023: 19%)	**3,047**	1,603
Effect of:		
Expenses not deductible for tax purposes	**137**	101
Non-taxable credit	**(69)**	(62)
Difference between depreciation/amortisation for the year and capital allowances	**–**	115
Tax difference in relation to share options	**(30)**	15
Research & Development	**–**	143
Taxation difference in respect of intangibles on acquisition	**–**	(14)
Tax losses recognised/(utilised)	**–**	78
Unrecognised tax losses	**513**	–
Adjustments in respect of prior years	**(324)**	(189)
Overseas tax rate differences	**–**	56
Foreign exchange	**7**	(6)
Total tax charge	**3,281**	1,840

The UK corporation tax rate is 25%, effective from 1 April 2023 (2023: 19%). The deferred tax liabilities and assets on 31 March 2024 and comparative figures from 31 March 2023 have been calculated based on the 25% rate.

R&D tax credits

The Group recognised a credit of £277k (2023: £285k) within other income in relation to claims made under the Research & Development expenditure credit scheme ("RDEC").

8. Earnings per share

The earnings per share is based on the following:

	2024 £'000	2023 £'000
Adjusted earnings post tax attributable to equity holders of the parent	**11,646**[1]	8,556[2]
Earnings post tax attributable to equity holders of the parent	**8,872**	6,693
Weighted average number of shares	**11,372,709**	10,374,314
Diluted number of shares	**11,667,041**	10,604,768
Reported EPS		
Basic EPS from profit for the year	**78.0p**	64.5p
Diluted EPS from profit for the year	**76.0p**	63.1p
Adjusted EPS		
Adjusted Basic EPS from profit for the year	**102.4p**	82.5p
Adjusted Diluted EPS from profit for the year	**99.8p**	80.7p

1. Calculated as Adjusted profit after taxation (£11,680k) excluding the non-controlling interest profit (£34k)
2. Calculated as Adjusted profit after taxation (£8,553k) excluding non-controlling interest loss (£(3)k)

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 11,372,709 (2023: 10,374,314) net of the treasury shares disclosed in Note 27. The post tax earnings are attributable to shareholders of Solid State PLC excluding Non-controlling interests.

The diluted earnings per share is based on 11,667,041 (2023: 10,604,768) 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 30.

9. Dividends

	2024 £'000	2023 £'000
Prior year final dividend paid of 13.5p per share (2023: 13.25p)	**1,529**	1,500
Current year interim dividend paid of 7p per share (2023: 6.5p)	**794**	736
Cancelled dividends on shares held in treasury	**(1)**	(1)
	2,322	2,235
Final dividend proposed for the year 14.5p per share (2023: 13.5p)	**1,650**	1,528

The proposed final dividend has not been accrued for as the dividend will be approved by the shareholders at the Annual General Meeting. Subject to approval, the ex-dividend date will be 5 September 2024 with the cash payment date 27 September 2024.

Notes to the Financial Statements continued

For the year ended 31 March 2024

10. Property, plant and equipment

Year ended 31 March 2024	Land and Buildings £'000	Short Leasehold Property Improvements £'000	Motor Vehicles £'000	Fittings, Equipment and Computers £'000	Total £'000
Cost					
1 April 2023	496	2,071	997	6,179	9,743
Foreign exchange	(8)	(2)	–	(22)	(32)
Additions	–	627	245	830	1,702
Disposals	–	(1)	(51)	(524)	(576)
31 March 2024	**488**	**2,695**	**1,191**	**6,463**	**10,837**
Depreciation and impairment					
1 April 2023	–	1,172	385	3,468	5,025
Foreign exchange	–	–	–	(8)	(8)
Charge	–	335	167	1,079	1,581
Impairment	488	–	–	–	488
Disposals	–	–	(42)	(436)	(478)
31 March 2024	**488**	**1,507**	**510**	**4,103**	**6,608**
Net book value					
31 March 2024	**–**	**1,188**	**681**	**2,360**	**4,229**

Year ended 31 March 2023	Land and Buildings £'000	Short Leasehold Property Improvements £'000	Motor Vehicles £'000	Fittings, Equipment and Computers £'000	Total £'000
Cost					
1 April 2022	466	1,976	773	4,169	7,384
Foreign exchange	30	1	–	(33)	(2)
Additions	–	94	308	1,113	1,515
Acquisitions	–	–	–	991	991
Disposals	–	–	(84)	(61)	(145)
31 March 2023	496	2,071	997	6,179	9,743
Depreciation and impairment					
1 April 2022	–	987	308	2,675	3,970
Foreign exchange	–	–	–	(11)	(11)
Charge	–	164	151	844	1,159
Impairment	–	–	–	–	–
Disposals	–	21	(74)	(40)	(93)
31 March 2023	–	1,172	385	3,468	5,025
Net book value					
31 March 2023	496	899	612	2,711	4,718

11. Right-of-use lease assets

Year ended 31 March 2024	Land and Buildings £'000	Motor Vehicles/ Other £'000	Total £'000
Cost			
1 April 2023	4,775	220	4,995
Additions	2,595	59	2,654
Disposals	–	(17)	(17)
Foreign exchange	(9)	–	(9)
31 March 2024	**7,361**	**262**	**7,623**
Depreciation			
1 April 2023	2,851	163	3,014
Charge for the year	1,020	20	1,040
Disposals	–	(17)	(17)
31 March 2024	**3,871**	**166**	**4,037**
NBV			
1 April 2023	1,924	57	1,981
31 March 2024	**3,490**	**96**	**3,586**

Year ended 31 March 2023	Land and Buildings £'000	Motor Vehicles/ Other £'000	Total £'000
Cost			
1 April 2022	3,820	213	4,033
Additions	115	7	122
Acquisition additions	883	–	883
Disposals	(63)	–	(63)
Foreign exchange	20	–	20
31 March 2023	4,775	220	4,995
Depreciation			
1 April 2022	1,937	113	2,050
Charge for the year	915	50	965
Disposals	(33)	–	(33)
Foreign exchange	32	–	32
31 March 2023	2,851	163	3,014
Net book value			
31 March 2023	1,924	57	1,981

Notes to the Financial Statements continued

For the year ended 31 March 2024

12. Intangible assets

Year ended 31 March 2024	Development costs £'000	Computer software £'000	Goodwill £'000	Acquisition intangible Assets £'000	Total £'000
Cost					
1 April 2023	2,593	1,087	29,726	15,475	48,881
Foreign exchange	–	(2)	(315)	(105)	(422)
Additions	1,024	288	–	–	1,312
Disposals	–	(103)	–	–	(103)
31 March 2024	**3,617**	**1,270**	**29,411**	**15,370**	**49,668**
Amortisation					
1 April 2023	1,911	455	–	4,952	7,318
Foreign exchange	–	10	–	(9)	1
Charge for the year	265	197	–	1,819	2,281
Disposals	–	(41)	–	–	(41)
31 March 2024	**2,176**	**621**	**–**	**6,762**	**9,559**
Net book value					
31 March 2024	**1,441**	**649**	**29,411**	**8,608**	**40,109**

The cost of acquisition intangible assets includes the estimated net present value identified on acquisition of:

- customer relationships with a net book value of £6.7m and a remaining useful economic life between one and eight years; and
- brand with a net book value of £1.9m and a remaining useful economic life of approximately five years.

The cost of acquisition intangible assets comprises the estimated net present value of customer relationships, orderbook value and brand values identified on acquisitions. The development costs relate to the cost of developing new products and technology to enable the company to extend its operations into new growth areas. Any assets developed that are no longer deemed to meet the recognition criteria of development costs have been impaired.

Year ended 31 March 2023	Development costs £'000	Computer software £'000	Goodwill £'000	Acquisition intangible assets £'000	Total £'000
Cost					
1 April 2022	1,783	724	9,898	8,781	21,186
Foreign exchange	–	(2)	(492)	(164)	(658)
Additions	810	387	–	–	1,197
Acquisitions	–	52	20,320	6,858	27,230
Disposals	–	(74)	–	–	(74)
31 March 2023	2,593	1,087	29,726	15,475	48,881
Amortisation					
1 April 2022	1,583	399	–	3,373	5,355
Foreign exchange	–	(1)	–	(23)	(24)
Charge for the year	328	105	–	1,602	2,035
Disposals	–	(48)	–	–	(48)
31 March 2023	1,911	455	–	4,952	7,318
Net book value					
31 March 2023	682	632	29,726	10,523	41,563

12. Intangible assets continued

	Cost £'000	NBV £'000
Systems Division commercial relationships	8,664	6,017
Components Division commercial relationships	6,706	2,591
31 March 2024	**15,370**	**8,608**

13. Goodwill and impairment

Details of the carrying amount of goodwill allocated to cash-generating units (CGUs) are as follows:

	2024 £'000	2023 £'000
Systems Division – UK	**3,946**	3,946
Systems Division – USA	**19,513**	19,828
Components division	**5,952**	5,952
Total	**29,411**	29,726

The recoverable amounts of all the above groups of CGUs have been determined from a review of the current and anticipated performance of these units using a value-in-use calculation over a period of five years then a terminal value. In preparing the base case projection, a pre-tax discount rate of between 11% and 12% (2023: between 10% and 12%) was used based on the Group's estimated weighted average cost of capital.

Future growth rates of 7.5% to 23% based on the markets and a terminal growth rate of 2.5% (2023: 2.5%) have been assumed beyond the first year. The projection is based on the budget approved by the Board of Directors. It has been assumed that investment in capital equipment will equate to depreciation over this period. The key assumptions are the growth rates and discount rates.

The recoverable amount exceeds the carrying amount for the Group by £80.5m (2023: £141.9m) in the base case. The UK groups of CGUs have very significant headroom (in excess of 150%) and it is not considered reasonably possible that changes to the assumptions would trigger an impairment.

The CGU with the least headroom is the USA Systems Division, with a headroom of £6.4m (2023: £14.5m). The goodwill associated with the USA Systems CGU is $24.6m (2023: $24.6m) and the value in GBP recalculated at the exchange rate at the reporting date is £19.5m (2023: £19.8m).

Given this CGU is a recent addition, a more detailed model was prepared based on the significant growth plans for the business, with the key assumptions in the base case reflecting a discount rate of 12% and revenue growth of 23% over the 5 year period. An increase in the discount rate of 6% to 18% or a reduction in the growth rate of 9% to 14% would substantially erode the headroom. Based on this detailed assessment, the carrying value of the goodwill is supported

Notes to the Financial Statements continued

For the year ended 31 March 2024

14. Subsidiaries

The subsidiaries of Solid State PLC included in these consolidated financial statements are as follows:

Subsidiary undertakings		Proportion of voting rights and Ordinary share capital held	Nature of business
Solid State Supplies Limited	UK	100%	Supply of electronic components
Steatite Limited	UK	100%	Supply of electronic components and manufacture of electronic equipment
Custom Power Holdings Inc	USA	100%	Holding company
Custom Power LLC[1]	USA	100%	Battery systems and energy solutions supplier
Solsta Holdings Inc.	USA	100%	Holding company
Pacer Technologies Limited[3]	UK	100%	Non-trading entity
Pacer Components Limited[1]	UK	100%	Supply of opto-electronic components
Pacer LLC[1]	USA	100%	Supply of opto-electronic components
Willow Technologies Limited	UK	100%	Supply of opto-electronic components
American Electronic Components, Inc.[1]	USA	100%	Supply of opto-electronic components
Active Silicon Limited	UK	100%	Digital image design and manufacturing
Active Silicon, Inc.[1]	USA	100%	Manufacturing sales facility
Solid State Supplies Electronics Limited	Ireland	100%	Sales office
eTech Developments Limited[2]	UK	100%	Engineering consultation
Custom Power Limited[3]	UK	100%	Non-trading entity
Creasefield Limited[3]	UK	100%	Non-trading entity
Q-Par Angus Limited[3]	UK	100%	Non-trading entity
Ginsbury Electronics Limited[3]	UK	100%	Non-trading entity
Wordsworth Technology Kent Limited[3]	UK	100%	Non-trading entity
Solsta Limited[3]	UK	100%	Non-trading entity
Durakool Limited[3]	UK	100%	Non-trading entity

1. Indirect holdings. All other holdings are direct.
2. 75% owned up to 31 January 2024 when the remaining 25% non-controlling interest was acquired by Solid State PLC.
3. The non-trading entities are exempt from filing audited accounts with the Registrar under s479a of the Companies Act 2006.

Subsequent to the year end, two new USA holding companies were established; Solid State US, Inc. and Steatite Systems Holdings, Inc.

Aside from the operations in the USA and Ireland identified above, the countries of operation and of incorporation are England and Wales, with the same registered office as Solid State PLC. The registered offices for operations in the US and Ireland are listed below.

Subsidiary undertaking	Registered office
Pacer USA LLC	661 Maplewood Drive, Suite 10, Jupiter, FL 33458, USA
American Electronic Components, Inc.	1101 Lafayette Street, Elkhart, Indiana, 46516, USA
Active Silicon, Inc.	479 Jumpers Hole Road, Suite 301, Severna Park, MD 21146, USA
Solid State Supplies Electronics Limited	3rd Floor Ulysses House, 23/24 Foley Street, Dublin 1, Dublin D01 W2T2, Ireland
Custom Power Holdings Inc	10910 Talbert Ave, Fountain Valley, CA 92708, USA
Custom Power LLC	10910 Talbert Ave, Fountain Valley, CA 92708, USA
Solsta Holdings Inc.	1209 Orange Street, Wilmington, County of New Castle, Delaware 19801

As set out in the Audit Committee Report, the 100% owned UK trading subsidiaries are exempt from the requirements to have an audit and file audited financial statements by virtue of Section 479A of the Companies Act 2006. In adopting the exemption, Solid State PLC has provided a statutory guarantee to these subsidiaries in accordance with Section 479C of the Companies Act 2006.

15. Inventories

	2024 £'000	2023 £'000
Finished goods and goods for resale	**21,748**	30,195
Work in progress	**3,336**	3,033
Total inventories	**25,084**	33,228

The Directors are of the opinion that the replacement value of inventories is not materially different to the carrying value stated above. These carrying values are stated net of provisions of £4.1m (2023: £5.1m).

An impairment loss of £2.0m (2023: £1.1m loss) was recognised in the cost of sales during the year against inventory due to slow-moving and obsolete items. £3.0m of inventory was written off against provisions held.

Inventory recognised in cost of sales during the year, as an expense, was £105.3m (2023: £84.0m).

16. Trade and other receivables

	2024 £'000	2023 £'000
Trade receivables	**27,997**	16,379
Other receivables	**154**	163
Prepayments	**3,375**	3,157
	31,526	19,699

An impairment loss against trade receivables of £407k (2023: credit of £77k) was recognised within operating costs during the year.

17. Trade and other payables

	Note	2024 £'000	2023 £'000
Trade payables		**10,011**	12,919
Other taxes and social security taxes		**3,945**	2,952
Other payables		**322**	376
Accruals		**7,366**	7,488
Deferred consideration on acquisitions	21	**–**	4,029
Contingent consideration on acquisitions	21	**–**	1,650
		21,644	29,414

18. Contract liabilities

	2024 £'000	2023 £'000
Contract liabilities	**6,460**	5,380

The contract liabilities identified above relate to unsatisfied performance obligations resulting from proforma and advanced customer payments where we have not recognised the revenue and provisions for product returned for rework. All these contract liabilities are expected to be recognised in the subsequent financial year.

Revenue recognised within the year includes £2,923k (2023: £2,910k), which was included within contract liabilities in the prior year.

Notes to the Financial Statements continued

For the year ended 31 March 2024

19. Bank borrowings and facilities

	2024 £'000	2023 £'000
Current borrowings		
Bank borrowings – overdraft facility	**2,056**	–
Bank borrowings – term loans	**1,342**	1,279
Non-current borrowings		
Bank borrowings	**9,718**	13,383
Total borrowings	**13,116**	14,662

	2024 £'000	2023 £'000
Within one year	**3,398**	1,279
Between one and two years	**7,734**	4,958
Between two and five years	**1,984**	8,425
Total borrowings	**13,116**	14,662

The bank facilities are secured by a fixed and floating charge over the assets of the Company and the Group. At the balance sheet date, the Group had the following facilities:

- The Group has a Term Loan of £6.5m entered into in August 2022 as part of the Custom Power acquisition financing that is repayable in full in August 2025. The Group's intention is to refinance this facility during the next financial year. The full principal balance was utilised at year end.
- The Group also entered into a Term Loan of £6.5m in August 2022 as part of the Custom Power acquisition financing that is repayable in quarterly tranches over a five-year period. A principal balance of £4.55m was outstanding at year end.
- Revolving credit facility of £10.0m (2023: £7.5m) of which £Nil (2023: £2.4m) was drawn at the balance sheet date. This facility was committed until November 2024 and was renewed in March 2024 to a November 2025 commitment date.
- The Group has a multi-currency overdraft facility of £5.0m (2023: £3.0m), which was utilised for £2.1m USD at year end (2023: £Nil).

The multi-currency overdraft facility is in place to provide flexibility in financing short-term multi-currency working capital requirements. This facility is available to utilise as long as the overall balance netted across all accounts in the bank nets to an overall position of £Nil or higher. During March 2024, the Group agreed a facility extension on the USD overdraft facility of up to $6.0m from 1 April to 30 June 2024 in order to cover the maximum potential impact of the NATO project's timing differences to the cashflow. This extension was not utilised during Q1 FY25 as there were no adverse working capital timing differences.

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.

20. Right-of-use lease liabilities

	2024 £'000	2023 £'000
Current right-of-use lease liabilities	**1,106**	1,057
Non-current right-of-use lease liabilities	**2,466**	986
Total right-of-use lease liabilities	**3,572**	2,043

	2024 £'000	2023 £'000
Within one year	**1,106**	1,057
Between one and two years	**1,307**	942
Between two and five years	**1,159**	44
Total right-of-use lease liabilities	**3,572**	2,043

Lease liabilities relate to leased properties and vehicles and an analysis of the undiscounted maturity analysis of the remaining lease payments is presented in Note 21.

20. Right-of-use lease liabilities continued

The following is a reconciliation of the Group's lease liabilities:

	2024 £'000	2023 £'000
Right-of-use lease liabilities at 1 April	**2,043**	2,084
Additions	**2,654**	123
Acquisitions	**–**	883
Payments made	**(1,237)**	(1,026)
Discounting charge	**139**	46
Disposals	**(17)**	(56)
Foreign Exchange	**(10)**	(11)
Right-of-use lease liabilities at 31 March	**3,572**	2,043

Extension and termination options are included in a number of property leases across the Group. Lease liabilities have been recognised up to the next lease break point where the Group has the option to exit at that point in time. This is re-assessed annually and when a decision has been made not to exercise a break clause, the corresponding liability and asset are recognised accordingly.

21. Financial instruments

The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

The Group's financial instruments comprise cash and cash equivalents and various items such as trade payables and receivables that arise directly from its operations. The Group is exposed through its operations to the following risks:

- Credit risk
- Foreign currency risk
- Liquidity risk
- Cash flow interest rate risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks. Further quantitative information in respect of these risks is presented throughout these financial statements.

The acquisition of Custom Power and the related draw-down of additional long-term fixed borrowings is a substantive change in the Group's exposure to financial instrument risks. Consequently, the objectives, policies and processes have been reassessed to determine the updated risk profile (where relevant).

The Board has overall responsibility for the determination of the Group's risk management policies. The objective of the Board is to set policies that seek to reduce the risk as far as possible without unduly affecting the Group's competitiveness and effectiveness. Further details of these policies are set out below.

Credit risk

The Group is exposed to credit risk, primarily, on its trade receivables, which are spread over a range of customers and countries, a factor that helps to dilute the concentration of the risk.

It is Group policy, implemented locally, to assess the credit risk of each new customer before entering binding contracts. Each customer account is then reviewed on an ongoing basis (at least once a year) based on available information and payment history.

The maximum exposure to credit risk is represented by the carrying value of receivables as shown in Note 16 and in the statement of financial position. The amount of the exposure shown in Note 16 is stated net of provisions for doubtful debts.

The credit risk on liquid funds is low as the funds are held at banks with a high credit rating assigned by international credit rating agencies.

Notes to the Financial Statements continued
For the year ended 31 March 2024

21. Financial instruments continued

Foreign currency risk
Foreign exchange transaction risk arises when individual Group operations enter into transactions denominated in a currency other than their functional currency. The general policy for the Group is to sell to customers in the same currency that goods are purchased in, reducing the transactional risk. Where transactions are not matched, excess foreign currency amounts generated from trading are converted back to sterling and required foreign currency amounts are converted from sterling. Forward currency contracts are not used speculatively and are considered where the Group has a demand for foreign currency that it can reliably forecast. The Group overdraft facility is available on an individual currency basis.

Liquidity risk
The Group operates a Group overdraft facility common to all its trading companies (with the exception of the recent Willow, Active and Custom Power acquisitions). This facility has a right of offset, so individual accounts in an overdraft position can be netted from cash held in other accounts in the same bank to a maximum position of £Nil in total.

The Group has, approximately, a three-month visibility in its trading and runs a rolling six-month cash flow forecast. If any part of the Group identifies a shortfall in its future cash position, the Group has sufficient facilities that it can direct funds to the location where they are required. If this situation is forecast to continue, remedial action is taken.

Cash flow interest rate risk
External Group borrowings are approved centrally. The Board accepts that this neither protects the Group entirely from the risk of paying rates in excess of current market rates nor fully eliminates the cash flow risk associated with interest payments. It considers, however, that by ensuring approval of borrowings is made by the Board, the risk of borrowing at excessive interest rates is reduced. The Board considers that the rates being paid are in line with the most competitive rates it is possible for the Group to achieve. The Group does not currently hedge interest rates on financing, but monitors the impact of rising interest rates and will put an instrument in place if considered an effective risk mitigation.

Credit risk
The carrying amount of financial assets represents the maximum credit exposure. The Group maintains its cash reserves at reputable banks. The maximum exposure to credit risk at the reporting date was:

Loans and receivables	2024 £'000	2023 £'000
Trade and other receivables	**28,151**	16,542
Cash and cash equivalents	**8,445**	12,224
	36,596	28,766

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

Trade receivables exposure	2024 £'000	2023 £'000
UK	**10,363**	8,257
Non-UK	**17,634**	8,122
	27,997	16,379

The Group policy is to make a provision against those debts that are overdue, unless there are grounds for believing that all, or some, of the debts will be collected. During the year, the value of provisions made in respect of bad and doubtful debts was a charge of £435k (2023: £233k), which represented 0.3% (2023: 0.2%) of revenue. This provision is included within the sales, general and administration expenses in the consolidated statement of comprehensive income . Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, insolvency or a lack of contact with the customer.

21. Financial instruments continued

Trade receivables ageing by geographical segment

Geographical area	Total £'000	Current £'000	30 days past due £'000	60 days past due £'000	90 days past due £'000
2024					
UK	11,447	10,772	642	8	25
Non-UK	17,633	15,710	1,387	204	332
Total trade receivables	**29,080**	**26,482**	**2,029**	**212**	**357**
UK	(213)	(110)	(82)	–	(21)
Non-UK	(870)	(616)	(52)	(1)	(201)
Total provisions	**(1,083)**	**(726)**	**(134)**	**(1)**	**(222)**
Total	**27,997**	**25,756**	**1,895**	**211**	**135**
IFRS9					
UK expected loss rate	1.86%	1.02%	12.77%	0.00%	84.0%
Non-UK expected loss rate	4.93%	3.92%	3.75%	0.49%	60.54%

Geographical area	Total £'000	Current £'000	30 days past due £'000	60 days past due £'000	90 days past due £'000
2023					
UK	8,576	7,969	394	81	132
Non-UK	8,492	6,711	725	971	85
Total	17,068	14,680	1,119	1,052	217
UK	(319)	(131)	(80)	(1)	(107)
Non-UK	(370)	(164)	(4)	(119)	(83)
Total provisions	(689)	(295)	(84)	(120)	(190)
Total	16,379	14,385	1,035	932	27
IFRS9					
UK expected loss rate	3.71%	1.65%	20.17%	1.00%	80.94%
Non-UK expected loss rate	4.35%	2.44%	0.59%	12.26%	97.38%

The Group records provision for impairment losses on its trade receivables separately from gross receivables. The movements on this allowance account, during the year, are summarised below:

	2024 £'000	2023 £'000
Opening balance	**689**	649
Acquisition of subsidiaries	**–**	124
Increase/(decrease) in provisions	**407**	(77)
Written off against provisions	**(10)**	(9)
Foreign exchange	**(3)**	2
Closing balance	**1,083**	689

The main factor used in assessing the expected impairment losses of trade receivables is the age of the balances and the circumstances of the individual customer.

As shown in the earlier table, at 31 March 2024, trade receivables of £2,241k, which were past their due date, were not impaired (2023: £1,994k).

Notes to the Financial Statements continued

For the year ended 31 March 2024

21. Financial instruments continued

Liquidity risk

2024	Carrying amount £'000	Contractual cash flow £'000	12 months or less £'000	1–2 Years £'000	2–5 Years £'000	5+ Years £'000
Trade and other payables	20,737	20,737	20,737	–	–	–
Borrowings	13,116	14,508	4,227	3,029	7,252	–
Right-of-use lease liabilities	3,572	3,879	1,139	1,403	1,337	–
Provisions	969	969	126	565	278	–
	38,394	**40,093**	**26,229**	**4,997**	**8,867**	**–**

2023	Carrying amount £'000	Contractual cash flow £'000	12 months or less £'000	1–2 Years £'000	2–5 Years £'000	5+ Years £'000
Trade and other payables	21,628	21,628	21,628	–	–	–
Borrowings	14,662	16,722	2,142	5,671	8,909	–
Right-of-use lease liabilities	2,043	2,138	1,088	792	258	–
Provisions	1,038	1,038	323	94	621	–
Deferred consideration on acquisition	5,679	5,679	5,679	–	–	–
	45,050	**47,205**	**30,860**	**6,557**	**9,788**	**–**

Movement in deferred consideration on acquisitions	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000
	Willow		Active		Custom Power		Group	
1 April 2023	–	3,500	**1,650**	3,101	**4,029**	–	**5,679**	6,601
Initial recognition	–	–	**–**	–	**–**	8,264	**–**	8,264
Decrease in estimation	–	–	**(21)**	(326)	**–**	–	**(21)**	(326)
Settlement	–	(3,500)	**(1,629)**	(1,125)	**(3,906)**	(4,065)	**(5,535)**	(8,690)
Foreign Exchange	–	–	**–**	–	**(123)**	(170)	**(123)**	(170)
31 March 2024	–	–	**–**	1,650*	**–**	4,029	**–**	5,679

* Level 3 contingent consideration values calculated based on forecast management data.

The fair value hierarchy of financial instrument is considered as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

All the Group's financial instruments as disclosed are considered to fall under Level 1, except for the deferred contingent consideration due on acquisitions in 2023 (Willow and Active), which were classified as Level 3 instruments.

21. Financial instruments continued

The measurement of the contingent deferred consideration liability on Active Silicon was based on the performance of the business during the 25-month earn-out period up to 31 March 2023. The basis of the calculation was a multiple of the post tax profit included within the consolidated Group financial statements and the only immaterial variable that changed was the final taxation figure. The contingent consideration in relation to Custom Power was recognised at £Nil value based on the discounted future forecasts prepared as described in Note 2 and the required threshold was not reached during 2024.

Foreign currency risk

The Group's main foreign currency risk is the short-term risk associated with accounts receivable and payable denominated in currencies that are not the subsidiaries' functional currency. The risk arises on the difference in the exchange rate between the time invoices are raised/received and the time invoices are settled/paid. For sales denominated in foreign currencies the Group will try, as far as practical, to ensure that the purchases associated with the sale will be in the same currency.

All monetary assets and liabilities of the Group were denominated in sterling except for the following items, which are included in the financial statements at the sterling value based on the exchange rate ruling at the statement of financial position date.

The following tables show the Group net assets/(liabilities) exposed to US dollar and euro exchange rate risk:

USD	2024 £'000	2023 £'000
Trade receivables	**19,831**	8,870
Cash and cash equivalents	**(268)**	8,235
Trade payables	**(6,011)**	(8,149)
	13,552	8,956

EUR	2024 £'000	2023 £'000
Trade receivables	**563**	448
Cash and cash equivalents	**541**	444
Trade payables	**(261)**	(178)
	843	714

The Group is exposed to currency risk because it undertakes trading transactions in US dollars and euros (and immaterial transactions in other currencies). The Directors do not, generally, consider it necessary to enter into derivative financial instruments to manage the exchange risk arising from its operations, but, from time to time, when the Directors consider foreign currencies are weak and it is known that there will be a requirement to purchase those currencies, forward arrangements are entered into. There were no forward purchase agreements in place at 31 March 2024 (2023: £Nil) with £Nil net exposure (2023: £Nil).

The effect of a strengthening of 10% in the rate of exchange in the currencies against sterling at the statement of financial position date would have resulted in an estimated net increase in pre-tax profit for the year and an increase in net assets of, approximately, £1,309k (2023: £1,074k). In addition, the effect of a weakening of 10% in the rate of exchange in the currencies against sterling at the statement of financial position date would have resulted in an estimated net decrease in pre-tax profit for the year and a decrease in net assets of, approximately, £1,599k (2023: £879k).

Interest rate risk

The Group finances its ongoing business through a revolving credit facility and two term loans as described in Note 19. During the year, the Group utilised the RCF facility at a floating rate of interest. The Group's banking facilities with Lloyds Bank PLC incur interest at the rate of 2.55% over Bank of England base rate. The Group is affected by changes in the UK interest rate. As the loans are all based on variable interest rates, the fair value of the Group's borrowings is not materially different to the book value.

In terms of sensitivity, if the ruling base rate had been 1% higher throughout the year, the level of interest payable would have been £172k (2023: £122k) higher, and if 1% lower throughout the year, the level of interest payable would have been lower by the same amount.

Notes to the Financial Statements continued

For the year ended 31 March 2024

21. Financial instruments continued

Capital risk management

The Group defines total capital as equity in the consolidated statement of financial position plus net debt or less net funds plus deferred consideration. Total capital at 31 March 2024 was £69,291k (2023: £66,070k).

The Group defines net (cash)/leverage as net (cash)/debt plus deferred consideration, which totals £4,671k (2023: £8,117k). In calculating net (cash)/debt, the Group has excluded the right-of-use lease liabilities of £3,572k (2023: £2,042k) from its definition and calculation.

When managing its capital, the Group's main objectives are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital based on the gearing ratio. This ratio is calculated as leverage divided by total capital. At 31 March 2024, the gearing ratio was 6.7% (2023: 12.3%).

The Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and to maintain sufficient funding to enable the Group to meet its working capital and strategic investment needs in the light of changes in economic conditions and the characteristic of the underlying assets.

In making decisions to adjust its capital structure to achieve these aims, the Group considers not only its short-term position, but also its long-term operational and strategic objectives and sets the amount of capital in proportion to risk.

The Group's gearing ratio at 31 March 2024 is shown below:

	2024 £'000	2023 £'000
Cash and cash equivalents	**(8,445)**	(12,224)
Borrowings/bank overdrafts	**13,116**	14,662
Deferred consideration	–	5,679
Net debt	**4,671**	8,117
Share capital	**569**	567
Share premium account	**30,581**	30,474
Retained earnings	**35,086**	27,805
Other Reserves	**(64)**	5
Foreign exchange reserve	**(1,515)**	(836)
Shares held in treasury	**(37)**	(108)
Equity	**64,620**	57,907
Gearing ratio (net leverage/(equity + net leverage)/cash))	**6.7%**	12.3%

22. Net debt

Year ended 31 March 2024 (£'000)	At 1 April 2023	Cash flow	Other non-cash movement	At 31 March 2024
Bank borrowing due within one year	(1,279)	(777)	(1,342)	**(3,398)**
Bank borrowing due after one year	(13,383)	2,393	1,272	**(9,718)**
Total borrowings	(14,662)	1,616	(70)	**(13,116)**
Deferred consideration on acquisition of subsidiaries within one year	(5,679)	5,535	144	–
Cash and cash equivalents	12,224	(3,751)	(28)	**8,445**
Net debt	(8,117)	3,400	46	**(4,671)**

	2024 £'000	2023 £'000
(Decrease)/increase in cash in the year	**(3,751)**	9,314
Increase in borrowings in the year	**(2,126)**	(15,873)
Repayment of borrowings in the year	**3,741**	2,772
Payment of deferred consideration on acquisitions	**5,535**	4,625
Net movement resulting from cash flows	**3,399**	838

	2024 £'000	2023 £'000
Net debt at 1 April 2023	**(8,117)**	(5,177)
Net movement resulting from cash flows	**3,400**	838
Deferred consideration released/(recognised)	**21**	(3,704)
Other non-cash movements	**25**	(74)
Net debt at 31 March 2024	**(4,671)**	(8,117)

Although the Group's banking facilities allow a right of offset between cash balances held at the bank with overdraft balances at the same bank, the overdraft balance at 31 March 2024 is presented as gross on the statement of financial position rather than net in accordance with the Interpretations Committee March 2016 Agenda decision on IAS 32 interpretation of cash-pooling arrangements. No overdraft was utilised as at 31 March 2023.

Lease liabilities are excluded from the Group's definition of net debt and a separate roll-forward of lease liabilities is presented in Note 20.

Notes to the Financial Statements continued

For the year ended 31 March 2024

23. Deferred tax

The Group's deferred tax positions arise primarily on share-based payments, accelerated capital allowances, capitalised development costs and intangible assets arising on acquisition of subsidiaries:

	2024 £'000	2023 £'000
At 1 April	**(1,812)**	(1,293)
Deferred tax arising on acquisition of subsidiaries	**–**	67
Credit/ (expense) for the year	**190**	(485)
Effect of changes to foreign exchange rates	**4**	(7)
Deferred tax adjustment in respect of prior periods	**244**	(94)
Net deferred tax at 31 March	**(1,374)**	(1,812)
Deferred tax (liabilities)/assets in relation to:		
Accelerated capital allowances on property, plant and equipment	**(590)**	(747)
Short-term timing differences on intangible assets	**(1,596)**	(1,736)
Share-based payments	**604**	351
Short-term timing differences	**151**	114
Losses carried forward	**57**	206
Net deferred tax at 31 March	**(1,374)**	(1,812)
Deferred tax assets	**605**	375
Deferred tax liabilities	**(1,979)**	(2,187)
Net deferred tax at 31 March	**(1,374)**	(1,812)

The movements in respect of deferred tax in the year were as follows:

	Accelerated capital allowances £'000	Short-term timing differences on intangible assets £'000	Share-based payments £'000	Short-term timing differences £'000	Losses carried forward £'000	Total £'000
At 1 April	(747)	(1,736)	351	114	206	(1,812)
Recognised in statement of comprehensive income	153	136	253	38	(146)	434
Effect of changes to foreign exchange rates	4	4	–	(1)	(3)	4
At 31 March	**(590)**	**(1,596)**	**604**	**151**	**57**	**(1,374)**

The UK corporation tax rate is 25% (2023: 19%) effective from 1 April 2023, which was substantively enacted on 24 May 2021.

The amount of the net reversal of deferred tax expected to occur next year is, approximately, £550k (2023: £447k) relating to the timing differences identified above.

A deferred tax asset of £166k (2023: £166k), in respect of the future tax deduction that would be available based on the share price at the balance sheet date compared to the share price at the date of grant of the options and share bonus, which is used to calculate the share-based payments charge, was recalculated in the year after initial recognition in 2022. There was no calculated movement in the deferred tax asset, so £Nil has been debited to other comprehensive income ("OCI") or treated as an adjustment to profit. The share price post year end, when the shares are exercised, may be higher/lower than at the balance sheet date; therefore, this deferred tax asset is considered judgemental as it may not be fully recoverable.

In addition, there is an unrecognised deferred tax asset in relation to capital losses carried forward. The capital losses carried forward are, approximately, £275k. The associated deferred tax asset of, approximately, £69k has not been recognised due to the uncertainty over the recoverability.

24. Provisions

	2024 £'000	2023 £'000
At 1 April	**1,038**	694
Dilapidations acquired on acquisitions at fair value	**–**	22
Recognition of dilapidation provisions	**178**	–
Provisions utilised during the year	**(248)**	–
Recognition of decommissioning asset	**–**	323
Foreign Exchange	**1**	–
(Released)/charged to statement of comprehensive income	**–**	(1)
Provisions at 31 March	**969**	1,038

The Group has provided for property-related provisions, which include obligations in respect of exited legacy premises and dilapidations provisions it expects to exit within the next five years. Provisions are split in current £126k (2023: £323k) and non-current £843k (2023: £715k).

25. Share capital

	2024 £'000	2023 £'000
Allotted issued and fully paid 11,376,644 (2023: 11,346,394) ordinary shares of 5p	**569**	567

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.

	2024		2023	
	Shares No.	Value £'000	Shares No.	Value £'000
Share capital at 1 April	**11,346,394**	**567**	8,564,878	428
Issue of new shares	**12,000**	**1**	2,757,516	138
Share options exercised	**18,250**	**1**	24,000	1
Share capital at 31 March	**11,376,644**	**569**	11,346,394	567

Details of options granted are set out in the Remuneration Committee Report on pages 62 to 67. At 31 March 2024, the number of shares covered by option agreements amounted to 418,350 (2023: 352,925). At the balance sheet date, there were 128,050 (2023: 72,000) share options which had vested and remained unexercised. 18,250 options were exercised in the current year (2023: 24,000).

26. Reserves

Full details of movements in reserves are set out in the consolidated statement of changes in equity on page 81. The total value of transaction costs incurred that have been offset against the share premium account movement in the year total £Nil (2023: £1,275k).

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	Capital redemption amount 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

Notes to the Financial Statements continued

For the year ended 31 March 2024

27. Treasury shares

At 31 March 2024, the Group held 21,146 (2023: 9,146) shares in treasury with a cost of £37k (2023: £108k). No shares have been cancelled.

	2024 No	2023 No
At 1 April	**9,146**	6,946
Purchase of shares into treasury	**–**	15,000
Issue of shares into treasury	**12,000**	–
Transfer of shares to the All Employee Share Plan (AESP)	**–**	(12,800)
At 31 March	**21,146**	9,146

28. Share-based payments

The amount charged to the income statement in 2024 in respect of share-based payments was £0.8m (2023: £0.6m).

The Company operates three long-term share incentive schemes set out below:

Long-term incentive plan ("LTIP"):

Normal LTIP awards of up to 125% of salary may be made to Executive Directors and Senior management, as outlined in the Policy Table of the Remuneration Report on page 63.

For all participants, awards will vest after three years in accordance with the performance conditions applicable to each grant. Options are granted with a contractual life of ten years and with a fixed exercise price of 5p equal to the par value of the shares or as otherwise disclosed in the Remuneration Report.

The performance conditions will be determined and set by the Remuneration Committee in accordance with the remuneration policy. No award will vest below threshold performance, and vesting will increase on a straight-line basis between threshold, target and stretch.

On 7 February 2024 56,400 (2023: 56,400) share options were granted to the Executive Directors under the LTIP. The assessed fair value at grant date of options granted during the year was £11.21 per option (2023: £9.26). The fair value was determined using a Black-Scholes model and the principal assumptions are set out below.

Principal assumptions	2024	2023
Weighted average share price at grant date in pence	**1,185**	986
Weighted average exercise price in pence	**5**	5
Weighted average vesting period (years)	**3**	3
Option life (years)	**10**	10
Weighted average expected life (years)	**3**	3
Weighted average expected volatility factor	**37%**	49%
Weighted average risk-free rate	**4.31%**	2.28%
Dividend yield	**1.86%**	2.10%

The expected volatility factor is based on historical share price volatility over the three years immediately preceding the grant of the option. The expected life is the average expected period to exercise. The risk-free rate of return is the yield of zero-coupon UK government bonds of a term consistent with the assumed option life.

Non-market performance conditions are incorporated into the calculation of fair value by estimating the proportion of share options that will vest and be exercised based on a combination of historical trends and future expected trading performance. These are reassessed at the end of each period for each tranche of unvested options.

Company Share Option Plan ("CSOP"):

CSOP awards of up to the HMRC tax-approved levels of £30,000 may be made to senior staff and Executive Directors, as outlined in the Policy Table of the Remuneration Report on page 64. For all participants, awards will vest after three years in accordance with the performance conditions applicable to each grant.

Options are granted with a contractual life of ten years and with a fixed exercise price equal to the market value of the shares under option at the date of grant or as otherwise disclosed in the Remuneration Report.

28. Share-based payment continued

The performance conditions will be determined and set by the Remuneration Committee in accordance with the remuneration policy. No award will vest below threshold performance, and vesting will increase on a straight-line basis between threshold, target and stretch.

On 7 February 2024, 50,875 (2023: 48,825) share options were granted to the senior management under CSOP. The assessed fair value at grant date of options granted during the year was £3.15 per option (2023: £3.14). The fair value was determined using a Black-Scholes model and the principal assumptions are set out in the table below. 31,500 CSOP options vested in the year and 18,250 were exercised.

Principal assumptions	2024	2023
Weighted average share price at grant date in pence	**1,185**	1,006
Weighted average exercise price in pence	**1,052**	1,008
Weighted average vesting period (years)	**3**	3
Option life (years)	**10**	10
Weighted average expected life (years)	**3**	3
Weighted average expected volatility factor	**37%**	49%
Weighted average risk-free rate	**4.31%**	2.28%
Dividend yield	**1.86%**	2.10%

Movement in share options during the year

In addition to the current CSOP and LTIP there are bought forward executive EMI options, which have vested. £Nil (2023: 24,000) were exercised in the year, leaving 72,000, which remain unexercised at the balance sheet date.

	2024 Number of options	2024 Average exercise price in pence	2023 Number of options	2023 Average exercise price in pence
At 1 April	**328,925**	**320**	248,100	225
Granted	**107,675**	**988**	104,825	471
Exercised	**(18,250)**	**(592)**	(24,000)	0.1
Cancelled/lapsed	**–**	**–**	–	–
At 31 March	**418,350**	**759**	328,925	320

The weighted average exercise prices of options exercisable at the end of the period is 63p. The weighted average remaining contractual life of share options outstanding at the end of the period is 7.5 years (2023: 7.7 years). As at 31 March 2024, the total number of long-term incentive awards and share options held by employees was 418,350 (2023: 328,925) as follows:

Option price pence/share	Option period ending	2024 Number of options	2023 Number of options
0.1p	31 March 2027	**72,000**	72,000
5p – 592p	31 March 2030	**56,050**	74,300
5p – 1050p	31 March 2031	**77,800**	77,800
5p – 1254p	31 March 2032	**105,225**	104,825
5p – 1185p	31 March 2034	**107,275**	–
At 31 March		**418,350**	328,925

All Employee Share plan ("AESP"):

AESP awards up to the HMRC tax approved levels to all UK employees. These awards vest tax free from the AESP after at least three years but not more than five years from the date of grant subject to continued employment.

On the 28 March 2024, 13,950 (2023: 12,800) share options were awarded to the employees under the AESP. The share price at the date of award was 1,325p (2023: 1,160p). As the awards are effectively £Nil cost awards, the fair value is determined to equal to the share price at the date of grant under the Black-Scholes model. This resulted in a share-based payments charge of £185k (2023: £148k) as part of the total share-based payments charge.

Notes to the Financial Statements continued

For the year ended 31 March 2024

29. Capital commitments

At 31 March 2024, there were capital commitments of £23k (2023: £172k).

30. Adjustments to profit

The Group's results are reported after several imputed non-cash charges and non-recurring items. We have provided additional adjusted performance metrics to aid understanding and provide clarity over the Group's performance on an ongoing cash basis before imputed non-cash accounting charges. This is consistent with how analysts and investors tell us they review our business performance in presenting an adjusted profit metric adjusting for the following items:

- Non-cash charges arising from share-based payments and the amortisation of acquisition intangibles
- Non-recurring costs in relation to restructuring of the USA Components business model
- Non-recurring costs relating to acquisition costs (including fair value adjustments and earn-out estimation changes)
- Tax effect of the adjusted items
- The movement via OCI of the deferred tax asset relating to the future tax deduction that would be available based on the share price at the balance sheet date compared to the share price at the date of grant of options and share bonus

	2024 £'000	2023 £'000
Gross profit	**51,827**	39,674
Adjustments to gross profit	**–**	88
Adjusted gross profit	**51,827**	39,762
Operating profit	**13,678**	9,408
Adjustments to operating profit	**3,358**	2,219
Adjusted operating profit	**17,036**	11,627
Operating margin percentage	**8.4%**	7.4%
Operating margin percentage impact of adjustments	**2.1%**	1.8%
Adjusted operating margin percentage	**10.4%**	9.2%
Profit before tax	**12,187**	8,436
Adjustments to profit before tax	**3,392**	2,355
Adjusted profit before tax	**15,579**	10,791
Profit after tax	**8,906**	6,690
Adjustments to profit after tax	**2,774**	1,863
Adjusted profit after tax	**11,680**	8,553
Reported total other comprehensive income	**8,227**	5,727
Adjustments to total other comprehensive income	**2,774**	1,957
Adjusted total other comprehensive income	**11,001**	7,684

30. Adjustments to profit continued

2024	Components £'000	Systems £'000	Head office £'000	Total £'000
Acquisition fair value adjustments within cost of sales	–	–	–	**–**
Acquisition fair value adjustments, reorganisation and deal costs	736	–	–	**736**
Amortisation of acquisition intangibles	–	–	1,819	**1,819**
Share-based payments	–	–	803	**803**
Imputed interest on deferred consideration unwind	–	34	–	**34**
Adjustment to profit before tax	**736**	**34**	**2,622**	**3,392**
Current and deferred taxation effect	73	–	(691)	**(618)**
Adjustments to profit after tax	**809**	**34**	**1,931**	**2,774**
Movement of deferred tax asset re share price impact on options	–	–	–	**–**
Adjustments to total other comprehensive income	**809**	**34**	**1,931**	**2,774**

All amortisation charges relating to acquisition intangibles have been consistently classified into head office overheads for the current and comparative year to provide a consistent presentation and accurate representation of underlying divisional trading as presented to the Directors.

Reorganisation costs in 2024 relate to the USA Components business restructure. Acquisition fair value adjustments, reorganisation and deal costs in 2023 relate to transaction costs for the acquisition of Custom Power.

In evaluating our adjusted performance metric in respect of Earnings Per Share ("EPS"), the Board considers "Adjusted Fully Diluted EPS" to be the most appropriate metric as our investors and the analysts who cover Solid State PLC use this metric to monitor performance. However, we also recognise the equal importance of the statutory metric of 'EPS' as the other relevant metric (which includes the IFRS2 charge for the value gained from employees but excludes the dilution so not to double count with the charge).

While we disclose "Fully Diluted EPS" and "Adjusted EPS" for completeness in Note 8, these are not considered to be as appropriate metrics by the Board as "'Reported' Fully Diluted EPS" reflects a double hit to the results of the IFRS2 charge and the dilution and "Adjusted EPS" does not reflect either the IFRS2 charge or the dilution, which clearly makes these metrics much less appropriate when assessing performance.

2023	Components £'000	Systems £'000	Head office £'000	Total £'000
Acquisition fair value adjustments within cost of sales	–	88	–	**88**
Acquisition fair value adjustments, reorganisation and deal costs	–	289	15	**304**
Increase in deferred consideration on acquisition of Active Silicon	–	(326)	–	**(326)**
Amortisation of acquisition intangibles	–	–	1,602	**1,602**
Share-based payments	–	–	551	**551**
Imputed interest on deferred consideration unwind	–	136	–	**136**
Adjustment to profit before tax	**–**	**187**	**2,168**	**2,355**
Current and deferred taxation effect	–	(26)	(466)	(492)
Adjustments to profit after tax	**–**	**161**	**1,702**	**1,863**
Recognition of deferred tax asset re share price impact on options	–	–	94	**94**
Adjustments to total other comprehensive income	**–**	**161**	**1,796**	**1,957**

Acquisition fair value adjustments within cost of sales in 2023 relates to the unwind of the IFRS3 fair value uplift on stock to selling price less cost to sell in both periods.

Notes to the Financial Statements continued
For the year ended 31 March 2024

31. Segment information
The Group's primary reporting format for segmental information is aligned with the Divisional management structure of the Group. We provide financial information to enable Divisional management operational control and consolidated data for Board decision making. The Components Division comprises Solid State Supplies Limited, Pacer LLC, Pacer Components Limited, Willow Technologies Limited and American Electronic Components, Inc. The Systems Division includes Steatite Limited, Custom Power LLC, Active Silicon Limited, Active Silicon Inc. and eTech Developments Limited.

Year ended 31 March 2024	Components division £'000	Systems division £'000	Head office £'000	Total Group £'000
External revenue	59,834	103,469	–	**163,303**
Operating (loss)/ profit	(682)	19,337	(4,977)	**13,678**
Adjusted operating profit	54	19,337	(2,355)	**17,036**
(Loss)/ profit before tax	(748)	19,190	(6,255)	**12,187**
Taxation	(553)	(4,074)	1,346	**(3,281)**
Profit after taxation	(1,301)	15,116	(4,909)	**8,906**
Consolidated statement of financial position				
Assets	27,559	46,643	39,382	**113,584**
Liabilities	(10,853)	(26,404)	(11,707)	**(48,194)**
Net assets	16,706	20,239	27,675	**64,620**
Other				
Capital expenditure:				
Intangible assets	143	1,169	–	**1,312**
Tangible fixed assets	275	1,423	4	**1,702**
Right-of-use assets	156	2,498	–	**2,654**
Depreciation and Impairment – PPE	1,033	995	1	**2,029**
Depreciation – right-of-use assets	182	858	–	**1,040**
Amortisation	131	331	1,819	**2,281**
Share-based payments	–	–	803	**803**
Interest	67	146	1,278	**1,491**

One individual customer contributed more than 10% of the Group's revenue at £33.4m (20%) in the financial year ended 31 March 2024 (2023: No one customer contributed more than 10%).

31. Segment information continued

Year ended 31 March 2023	Components division £'000	Systems division £'000	Head office £'000	Total Group £'000
External revenue	68,986	57,517	–	126,503
Operating profit	5,754	7,941	(4,287)	9,408
Adjusted operating profit	5,754	7,992	(2,119)	11,627
Profit before tax	5,723	7,718	(5,005)	8,436
Taxation	(1,041)	(1,488)	783	(1,746)
Profit after taxation	4,682	6,230	(4,222)	6,690
Consolidated statement of financial position				
Assets	30,435	38,408	44,945	113,788
Liabilities	(13,220)	(25,331)	(17,283)	(55,834)
Net assets	17,215	13,077	27,662	57,954
Other				
Capital expenditure:				
Intangible assets	339	858	–	1,197
Intangible assets – acquisitions	–	52	27,178	27,230
Tangible fixed assets	836	679	–	1,515
Tangible fixed assets – acquisitions	–	991	–	991
Right-of-use assets	115	7	–	122
Right-of-use assets – acquisitions	–	883	–	883
Depreciation – PPE	559	600	–	1,159
Depreciation – right-of-use assets	217	748	–	965
Amortisation	50	383	1,602	2,035
Share-based payments	–	–	551	551
Interest	30	222	720	972

	External revenue by location of customer		Total assets by location of assets		Net capital expenditure by location of assets	
	2024 £'000	**2023 £'000**	**2024 £'000**	**2023 £'000**	**2024 £'000**	**2023 £'000**
United Kingdom	**69,921**	71,649	**101,179**	102,687	**2,779**	2,134
Rest of Europe	**55,360**	18,202	**–**	31	**–**	–
Asia	**8,759**	8,811	**–**	–	**–**	–
North America	**28,667**	27,205	**10,503**	11,070	**235**	578
Other	**596**	636	**–**	–	**–**	–
	163,303	126,503	**111,682**	113,788	**3,014**	2,712

Notes to the Financial Statements continued
For the year ended 31 March 2024

32. Related parties
During the period, fees totalling £48k (2023: £53k) in respect of accountancy services and out of pocket expenses were provided by The Kings Mill Practice, a firm of which Mr P Haining is the proprietor. A balance of £5k (2023: £5k) was due to The Kings Mill Practice at 31 March 2024.

33. Post balance sheet events
During Q1 of FY25 the Group intends to commit to a 15 year lease for premises in Tewkesbury with break clauses at 5 and 10 years. The annual rent is £160k, resulting in a minimum commitment of £0.8m. The assessment of expected tenure and resulting right of use asset and liability will be recognised in H1 FY25.

On 1 April 2024 a long-term incentive award for the senior management team in the USA was communicated. This award has a maximum liability of $4.2m, is based on delivering growth in revenue as well as EBITDA margin, and can commence vesting based on achievement of set performance goals from 2028 to 2030. While the Group has the option to equity or cash settle these awards, the scheme is expected to be cash settled as the number of shares is uncertain and the reward is a fixed quantum for a given performance.

Subsequent to the year end, the Group agreed a facility extension on the USD overdraft facility of up to $6m to the end of June 2024 in order to cover the maximum potential impact of the NATO project's timing differences to cash flow. This facility was not utilised.

Two new USA holding companies were incorporated, Solid State US, Inc. and Steatite Systems Holdings, Inc. with the intention to simplify the structure of the US Systems Division legal entities. Solid State PLC owns 100% of Solid State US, Inc., which in turn owns 100% of Steatite Systems Holdings, Inc.

Company statement of financial position

At 31 March 2024

	Note	2024 £'000	2023 £'000
Assets			
Non-current assets			
Investments	4	**66,897**	68,630
Property, plant and equipment		**4**	–
Deferred tax asset		**602**	351
Total non-current assets		**67,503**	68,981
Current assets			
Trade and other receivables	5	**8,465**	6,107
Cash and cash equivalents – on deposit		**–**	148
Cash and cash equivalents – available on demand		**594**	4,032
Total current assets		**9,059**	10,287
Total assets		**76,562**	79,268
Current liabilities			
Creditors: Amounts falling due within one year	6	**(26,918)**	(£29,886)
Net current liabilities		**(17,859)**	(19,599)
Non-current liabilities			
Non-current borrowings	7	**(9,718)**	(13,383)
Total liabilities		**(36,636)**	(43,269)
Net assets		**39,926**	35,999
Share capital	8	**569**	567
Share premium reserve	9	**30,581**	30,474
Capital redemption reserve	9	**5**	5
Retained earnings	9	**8,808**	5,061
Shares held in treasury	10	**(37)**	(108)
Total equity		**39,926**	35,999

The Company made a profit after tax of £5,338k (2023: £4,653k), and an other comprehensive loss of £Nil (2023: comprehensive loss of £94k). Total comprehensive income for the period was £5,338k (2023: £4,559k).

The financial statements were approved by the Board of Directors and authorised for issue on 5 July 2024 and were signed on its behalf by:

G S Marsh
Director

P O James
Director

Solid State PLC
Company registration number: 00771335

The notes on pages 125 to 128 form part of these financial statements.

Company statement of changes in equity

For the year ended 31 March 2024

	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 2023	**567**	**30,474**	**5**	**5,061**	**(108)**	**35,999**
Issue of new shares	2	107	–	–	–	**109**
Dividends	–	–	–	(2,322)	–	**(2,322)**
Share-based payment credit	–	–	–	803	–	**803**
Transfer of treasury shares to AESP	–	–	–	(72)	72	**–**
Transactions with owners in their capacity as owners	**2**	**107**	**–**	**(1,591)**	**72**	**(1,410)**
Result for the year ended 31 March 2024	–	–	–	5,338	–	**5,338**
Other comprehensive income	–	–	–	–	–	**–**
Total comprehensive income for the year ended 31 March 2024	**–**	**–**	**–**	**5,338**	**–**	**5,338**
Purchase of treasury shares	–	–	–	–	(1)	**(1)**
Balance at 31 March 2024	**569**	**30,581**	**5**	**8,808**	**(37)**	**39,926**

	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 2022	**428**	**3,625**	**5**	**2,338**	**(57)**	**6,339**
Shares issued	139	26,849	–	–	–	26,988
Dividends	–	–	–	(2,235)	–	(2,235)
Share-based payment credit	–	–	–	551	–	551
Transfer of treasury shares to AESP	–	–	–	(152)	152	–
Transactions with owners in their capacity as owners	**139**	**26,849**	**–**	**(1,836)**	**152**	**25,304**
Result for the year ended 31 March 2023	–	–	–	4,653	–	4,653
Other comprehensive income	–	–	–	(94)	–	(94)
Total comprehensive income for the year ended 31 March 2023	**–**	**–**	**–**	**4,559**	**–**	**4,559**
Purchase of treasury shares	–	–	–	–	(203)	(203)
Balance at 31 March 2023	**567**	**30,474**	**5**	**5,061**	**(108)**	**35,999**

The notes on pages 125 to 128 form part of these financial statements.

Notes to the company financial statements
For the year ended 31 March 2024

1. Accounting policies
The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the Company's financial statements.

Basis of preparation
These financial statements have been prepared in accordance with applicable United Kingdom Accounting standards, including Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and with the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements are prepared in sterling rounded to the nearest thousand pounds (£'000).

The Company has taken advantage of the exemption from disclosing the following information in its Company-only accounts, as permitted by the reduced disclosure regime within FRS 102:

- Section 7 "Statement of Cash Flows" – Presentation of a Statement of Cash Flow and related notes and disclosures
- Paragraph 33.1A – Exemption from disclosing transactions between wholly owned entities
- Section 26 "Share-based payment" qualifying disclosure exemptions

Profit and loss account
Under Section 408(4) of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account. The profit for the year ended 31 March 2024 and the profit for the year ended 31 March 2023 are disclosed in the statement of changes in equity.

Going concern
The going concern basis of accounting has been used in the preparation of these financial statements. The Solid State PLC entity statement of financial position reflects £17.9m net current liabilities due to balances owed by Group entities and short-term bank borrowings. Dividends totalling £9.7m were received from subsidiary companies in this financial year and subsidiary companies have the reserves available to pay dividends in the next financial year. The Directors have not identified any material uncertainties in this regard.

Foreign currencies
Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the statement of financial position date. Any differences are taken to the statement of comprehensive income.

Investments in subsidiaries
Investments in subsidiaries are stated at cost less amounts provided for impairment. When the trade and assets of a subsidiary are consolidated/reorganised, the investment is reallocated based on the cost method where the commercial substance and economic reality is that the investment carrying value remains intact. The carrying value of the revised investments are evaluated for impairment in accordance with FRS102.

The carrying value of investments in subsidiaries is reviewed for potential impairment at least annually, or more frequently if events or circumstances indicate a potential impairment. Any impairment identified is immediately charged to the consolidated statement of comprehensive income.

Where a distribution from a subsidiary is deemed to represent a return of the capital invested, the receipt is credited against the cost of investment with all other distributions, for example dividends, recorded in the statement of comprehensive income.

Receivables
Receivables are measured at transaction price, less any impairment. The carrying value of receivables is reviewed for potential impairment at least annually, or more frequently if events or circumstances indicate a potential impairment. Any impairment identified is immediately charged to the consolidated statement of comprehensive income.

Other financial liabilities
Other financial liabilities are accounted for on the same basis as in the consolidated accounts. See the accounting policy on pages 90 to 91 as there is no material difference between FRS102 and IFRS.

Notes to the company financial statements continued
For the year ended 31 March 2024

1. Accounting policies continued

Share-based payment

Share-based payments are accounted for on the same basis as in the consolidated accounts. See the accounting policy on page 95, as there is no material difference between FRS102 and IFRS.

Treasury shares

Treasury shares are accounted for on the same basis as in the consolidated accounts. See the accounting policy on page 93, as there is no material difference between FRS102 and IFRS.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. This note provides an overview of the areas that involve a higher degree of judgement or complexity, and of items that are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong.

The material judgement / estimate impacting the entity accounts is the judgement in respect of the carrying value of the investments which total £66.9m. Having completed a detailed impairment review, as disclosed in Note 13 to the Group accounts, no impairment has been identified.

2. Staff costs

	2024 £'000	2023 £'000
Wages and salaries	**1,342**	1,019
Social security costs	**212**	255
Other pension costs	**90**	62
Share-based payment charges	**803**	551
Total staff costs	**2,447**	1,887

Staff costs amounted to £2,447k (2023: £1,887k) and comprised the share-based payment expense of £702k (2023: £551k) and provision for employer's national insurance on exercise of share options of £101k (2023: £35k).

Included within the Company Staff costs are the salary and related costs in respect of G S Marsh, P O James, N F Rogers, S Smith, P Haining and P Magowan. No other Director's remuneration was paid by the Company. Details of the Directors whose emoluments were paid by other Group companies are given in the Remuneration Committee Report on pages 62 to 67.

The average monthly number of employees during the year, including the Executive Directors, was as follows:

	2024 £'000	2023 £'000
Management and administration	**16**	15
	16	15

3. Share-based payments

See Group share-based payments disclosures in Note 28 to the Group accounts.

4. Investments

Subsidiary undertakings	2024 £'000	2023 £'000
Cost		
1 April	**68,630**	35,654
Additions	**288**	33,302
Disposals	**(2,021)**	(326)
31 March	**66,897**	68,630
Net book value	**66,897**	68,630

The additions in the period relate to the incorporation of Solsta Holdings Inc in the period and the acquisition of the 25% non-controlling interest in eTech Developments Limited. The disposal in the period relates to the true-up of the deferred consideration acquisition cost of the Active Silicon Group and a return of capital invested from Custom Power Holdings Inc.

Subsidiary undertakings	2024 £'000	2023 £'000
Steatite Limited	**5,307**	5,307
Solid State Supplies Limited	**21,092**	4,201
Pacer Technologies Limited	**–**	3,747
Willow Technologies Limited	**–**	13,144
Active Silicon Limited	**8,908**	8,929
Custom Power Holdings Inc	**31,152**	33,152
eTech Developments Limited	**300**	150
Solsta Holdings Inc.	**138**	–
Total investments at 31 March	**66,897**	68,630

See Group subsidiary undertakings disclosures in Note 14 to the Group accounts.

5. Debtors

Undertakings	2024 £'000	2023 £'000
Amounts owed by Group	**8,433**	6,070
Prepayments	**32**	37
	8,465	6,107

Notes to the company financial statements continued
For the year ended 31 March 2024

6. Creditors – Amounts falling due within one year

	2024 £'000	2023 £'000
Amounts owed to Group undertakings	**24,568**	21,761
Other taxes and social security costs	**255**	289
Trade and Other Creditors	**92**	27
Accruals	**661**	850
Short-term bank borrowings	**1,342**	1,280
Deferred consideration on acquisitions	**–**	4,029
Contingent consideration on acquisitions	**–**	1,650
	26,918	29,886

The Company has guaranteed bank borrowings of all its subsidiary undertakings, the main trading subsidiaries are Solid State Supplies Limited, Steatite Limited, Pacer Components Limited, Custom Power, LLC., Willow Technologies Limited and Active Silicon Limited. At the year end, the liabilities covered by those guarantees amounted to £Nil (2023: £Nil). The Company accounts for guarantees provided to Group companies as insurance contracts, recognising a liability only to the extent that it is probable the guarantees will be called upon. See Note 19 to the Group accounts for borrowings disclosures.

The deferred and contingent liabilities on the acquisitions of Custom Power and Active Silicon were settled during the period.

All amounts owed to/from Group undertakings are payable/repayable on demand and not interest bearing.

7. Creditors – Amounts falling due after more than one year

	2024 £'000	2023 £'000
Bank borrowings	**9,718**	13,383
	9,718	13,383

See Note 19 to the Group accounts for borrowings disclosures.

8. Share capital
See Group share capital disclosures in Note 25 to the Group accounts.

9. Reserves
See Group reserves disclosures in Note 26 to the Group accounts.

10. Own shares held in treasury
See Group treasury shares disclosures in Note 27 to the Group accounts.

11. Related parties
Transactions with wholly owned subsidiaries of the Solid State PLC Group are not disclosed and there were no other related party transactions identified that require disclosure.

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Consultancy, design and production by:
jonesandpalmer.co.uk

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