SOLID STATE PLC

Annual Report & Accounts

31st March 2016

www.solidstateplc.com

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Anthony Brian Frere, *Chairman* Gary Stephen Marsh, *Chief Executive Officer* Peter Haining, FCA, *Director* John Michael Lavery, *Director* John Lawford Macmichael, *Director* Matthew Thomas Richards - *Director*
Company Secretary and Registered Office:	Peter Haining, FCA Solid State PLC 2 Ravensbank Business Park Hedera Road Redditch B98 9EY
Company Number:	00771335
Nominated Adviser:	W H Ireland Limited 24 Martin Lane London WC4R 0DR
Broker:	W H Ireland Limited 4 Colston Avenue Bristol BS1 4ST
Auditors:	haysmacintyre 26 Red Lion Square London WC1R 4AG
Solicitors:	ShakespeareMartineau 1 Colmore Square Birmingham West Midlands B4 6AA
Bankers:	Lloyds Bank 125 Colmore Row Birmingham West Midlands B3 3SF
Registrars:	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Country of Incorporation of Parent Company:	Great Britain
Legal Form:	Public Limited Company
Domicile:	Great Britain

CHAIRMAN'S STATEMENT AND STRATEGIC REPORT

Highlights in the period include:

Financial:

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

Operational:

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

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

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

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

Financial Review

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

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

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

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

CHAIRMAN'S STATEMENT AND STRATEGIC REPORT (continued)

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

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

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

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

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

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

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

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

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

Divisional Review

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

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

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

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

CHAIRMAN'S STATEMENT AND STRATEGIC REPORT (continued)

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

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

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

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

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

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

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

Batteries (including Creasefield Limited acquired on 31st May 2016)
The battery business, prior to the acquisition of Creasefield Limited ('Creasefield'), had been largely focussed on the Oil & Gas industries. As has been well reported, these sectors have been under investment pressure due to the crude oil price. The acquisition of Creasefield broadens the industrial focus of the business and allows for a greater share of engineering and production capability.

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

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

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

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

CHAIRMAN'S STATEMENT AND STRATEGIC REPORT (continued)

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

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

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

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

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

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

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

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

Divisional Summary
The Divisions in the Solid State group have distinct characteristics in their market places. A depth of technical understanding and a collaborative approach to client relationships have always promoted an integrated process of product design and supply. The degree of co-operation has always been appreciated by our clients and we believe it is of significant commercial value both to us and our customers. Solid State will continue to pursue this approach and to extend it into new relationships where appropriate.

Our stated strategy is to supplement organic growth with selective acquisitions within the electronics industry which will complement our existing Group companies and enable us to achieve improved operating margins through the employment of operational efficiencies, scale and distribution.

CHAIRMAN'S STATEMENT AND STRATEGIC REPORT (continued)

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

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

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

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

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

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

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

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

Tony Frere
Chairman

5th July 2016

DIRECTORS' REPORT

For the year ended 31st March 2016

The Directors submit their report together with the audited financial statements of the Group in respect of the year ended 31st March 2016.

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 distribution of electronic components and materials.

The key performance indicators recognised by management are sales, bookings and group profit margins. Bookings are sales orders received.

An overall review of the Group's trading performance and future developments is given in the Chairman's Statement and Strategic Report. The Group does not comment on environmental matters.

Directors

The Directors of the Company during the year were:
A B Frere
G S Marsh
M T Nutter (appointed 5th January 2016, resigned 29th June 2016)
J L Macmichael
J M Lavery
P Haining, FCA

M T Richards was appointed as a Director post year end on 18th April 2016.

Tony Frere (dob 15/10/1947), Chairman

Tony Frere has been in the Electronics Industry for 40 years, 30 of which serving the component distribution sector. Former directorships include Managing Director of DT Electronics and Nu Horizons Electronics. Currently sitting on the executive council of the ECSN (the electronic component supply network trade association), and in 2013 was appointed as Deputy Chairman, and was appointed as chairman in April 2014.

Gary Marsh, (dob 27/04/1966), Chief Executive Officer

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 Marsh was appointed Group Managing Director in 2002 following the acquisition of Steatite. In 2011 following the acquisition of Rugged Systems he was appointed Chief Executive Officer of the Group.

Mark Nutter, (dob 19/06/1977), Group Finance Director (resigned 29th June 2016)

Mark Nutter joined the Company in January 2016. A chartered accountant, Mark started his career with Deloitte, later moving to PricewaterhouseCoopers in Boston, USA. He has since undertaken a number of senior finance positions in industry, initially at E.ON UK plc, an energy and utilities provider. His roles here included being responsible for financial planning and analysis, accounting and commercial finance support. In 2013 Mark joined Delphi Automotive plc, a global automotive technology supplier, as UK Finance Director before then moving to Solid State plc as Group Finance Director.

John Macmichael, (dob 20/04/1961), Director

John Macmichael is an electronics and communications graduate whose career has encompassed design and development through applications engineering, sales, sales management and general business management. John has gained extensive management experience of multiple sales channels with distributors and OEMs both here in the UK and worldwide through his international sales management role whilst living in the USA. Formerly managing director of Breckenridge Technologies Limited John joined Solid State Supplies Limited in 2006 before being appointed managing director in April 2011. He presently runs the operations of Solid State Supplies Limited on behalf of Solid State PLC.

DIRECTORS' REPORT
For the year ended 31st March 2016 (continued)

John Lavery, (dob 06/05/1961), Director
John Lavery is an apprenticed trained engineer in Electronics Communications. He moved into Sales in the 1980's with Steatite before being appointed to The Board of Directors at the age of 28. He has held positions of Director of Sales and Marketing after a year's training with the Institute of Directors for Corporate Governance, before being appointed Managing Director of Steatite in 1999. Post year-end, following the appointment of Matthew Richards (below) it has been announced that John will remain as an executive Director until 31st July 2016, at which point he will take up a non-executive role.

Peter Haining FCA, (dob 05/09/1956), Non-Executive Director and Company Secretary
Peter Haining qualified as a chartered accountant in 1980 and later worked at Binder Hamlyn. He left Binder Hamlyn in 1992, together with three colleagues, to establish The Kings Mill Partnership. As well as fulfilling a role as Finance Director and Company Secretary, Peter Haining has specific responsibility for reviewing and advising on the Group's budgets and financial affairs.

Matthew Richards, (dob 25/10/1963), Director
Post year-end, in April 2016, Matthew Richards was appointed as Managing Director of Steatite Ltd, succeeding John Lavery. Matthew comes to the Board with 30 years of experience in the defence electronics industry. He has a track record of success in both private and public companies, most recently as Senior Vice President and Managing Director at API Technologies Corp running operations in the UK, Canada and USA, specialising in RF and Security solutions with a focus on high reliability and harsh environment applications. Prior to that, Matthew held business development and sales leadership roles with the L3 Corporation. He has extensive experience dealing with the Government customers at home and abroad having travelled extensively in Europe, the Middle East and Asia. Matthew started his career installing and commissioning terrestrial and satellite antennas systems for broadcast and military users before moving into sales in the early 1980s.

Details of the interests of Directors in the shares of the Company and Directors' service contracts are stated in Note 5 to the financial statements.

Corporate Governance
The Board confirms that the Group has had regard, throughout the accounting period, with the provisions set out in the UK Corporate Governance Code which was issued by the Financial Reporting Council in September 2014. Whilst not required to do so, as a matter of best practice, the Directors have voluntarily endeavoured to comply with those provisions which they consider to be relevant to a company of this size.

The audit committee consists of A B Frere and P Haining who act to ensure that the financial performance of the Group is properly recorded and monitored, meet regularly with the auditors and review the reports from the auditors relating to accounts and internal control systems.

The remuneration committee consists of A B Frere and P Haining. The purpose of the committee is to review the performance of the full time executive Directors and to set the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of the shareholders. It is a rule of the committee that no Director shall participate in discussions or decisions concerning his own remuneration.

Board of Directors
The Board currently consists of five (four following MT Nutter's resignation on 29th June 2016) executive Directors and two Non-executive Directors and meets regularly throughout the year. From 31st July the board composition will change to three executive Directors and three Non-executive Directors following John Lavery's move to become a non-executive Director.

The Board comprises the executive management of the Group and thus maintains full control over its activities. Decisions are accordingly taken quickly and effectively following consultation among the Directors concerned if any matters arise. The Board takes the view that this direct but flexible approach has enabled the Group to deal effectively with all matters.

Going Concern
The Directors confirm that they are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

DIRECTORS' REPORT
For the year ended 31st March 2016 (continued)

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 9th September 2015.This authority expires on 9th March 2017.

Financial Instruments
Details of the use of financial instruments by the Company and its subsidiaries are contained in Note 19 of the financial statements.

Post Balance Sheet Event
On 31st May 2016 the Group acquired 100% of the ordinary shares in Creasefield Limited for a cash consideration of £1.54m subject to a net asset adjustment once completion accounts have been finalised. This investment will be included in the Group's balance sheet at its fair value at the date of acquisition. Creasefield specialises in the design and manufacture of custom battery packs to a diverse range of industry sectors principally in the UK, including; Commercial Aerospace; Oil & Gas; Medical; Subsea; Safety; Water; Rail; Military; Security and Government. The operations of Creasefield are highly complementary to the existing battery operations at Solid State and will allow for wider use of IP, design and engineering capability, cross-selling of existing products and development of sales into new markets.

Further details of this acquisition are stated in Note 29 to the financial statements.

Internal Control
In respect of internal controls, the Directors are continually reviewing the effectiveness of the systems of internal controls, the key elements of which having regard to the size of the Group are that the Board meets regularly and takes the decisions on all material matters, the organisational structure ensures that responsibilities are defined and authority only delegated where appropriate, and that the regular management accounts are presented to the Board wherein the financial performance of the Group is analysed.

The Directors acknowledge that they are responsible for the system of internal control which is established in order to safeguard the assets, maintain proper accounting records and ensure that financial information used within the business or published is reliable. Any such system of control can, however, only provide reasonable, not absolute, assurance against material misstatement or loss.

Statement of Directors' Responsibilities
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 Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. In addition, the Directors are responsible the maintenance and integrity of the corporate and financial information included in the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors, as listed, are also responsible for preparing the Strategic Report, Directors' Report and financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The Directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The financial reporting standard applicable in the UK and Republic of Ireland'.

DIRECTORS' REPORT
For the year ended 31st March 2016 (continued)

Group Financial Statements
Under company law the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that period.

In preparing the financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, changes in Accounting Estimates and Errors and then apply them consistently.
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- state that the group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

Parent company financial statements
Company law requires directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- make judgements and accounting estimates that are reasonable and prudent.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the corporate and financial information group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein. The work carried out by the auditors does not include consideration of the maintenance and the integrity of the website and accordingly the auditor accepts no responsibility for any changes that have occurred to the financial statements when they are presented on the website.

Renewal of authority to purchase the Company's shares and authorities to issue 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 at the end of this document.

Under the terms of the resolution to be proposed at the Annual General Meeting, the maximum number of shares which may be purchased is 1,263,302 shares representing 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.

DIRECTORS' REPORT
For the year ended 31st March 2016 (continued)

Resolutions are also being proposed at the Annual General Meeting with regard to the issue of further shares. One resolution will authorise the company to issue new shares up to a third of the current issued share capital by way of a rights issue and the second resolution will authorise the company to issue new shares up to 10% of the current issued share capital without rights of pre-emption for existing shareholders, and to the extent that new shares are issued under the second resolution the limit on the first resolution will be reduced such that the total number of new shares issued cannot exceed one third of the current share capital.

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 amounting to 715,733 Ordinary shares, representing 8.5% of the Company's issued Ordinary share capital.

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 group's and 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 group's and parent company's auditors are aware of that information.

A resolution to reappoint haysmacintyre as auditors will be proposed at the next annual general meeting.

By order of the Board
P Haining FCA
Secretary
5th July 2016

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

REPORT OF THE INDEPENDENT AUDITORS
TO THE SHAREHOLDERS OF SOLID STATE PLC

We have audited the financial statements of Solid State PLC for the year ended 31st March 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Company Balance Sheet, the Company Statement of Changes in Equity, the Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on pages 9 and 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
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 31st March 2016 and the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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 and Article 4 of the IAS Regulations as it regards the Group financial statements.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where 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 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.

George Crowther *(Senior statutory auditor)*
for and on behalf of haysmacintyre, Statutory Auditor
26 Red Lion Square, London, WC1R 4AG
Date: 5th July 2016

REPORT OF THE INDEPENDENT AUDITORS
TO THE SHAREHOLDERS OF SOLID STATE PLC (continued)

Notes

1. The maintenance and integrity of the group's website is the responsibility of the directors, the work carried out by the auditors does not involve consideration of those matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2016

	Notes	2016 £	2015 £
Revenue	2	44,100,261	36,559,277
Cost of sales		(30,072,494)	(25,395,695)
GROSS PROFIT		14,027,767	11,163,582
Distribution costs		(3,721,849)	(3,400,831)
Administrative expenses		(5,997,690)	(4,700,601)
PROFIT FROM OPERATIONS	3	4,308,228	3,062,150
Finance costs	6	(112,082)	(48,411)
PROFIT BEFORE TAXATION		4,196,146	3,013,739
Tax expense	7	(27,819)	(122,032)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		4,168,327	2,891,707
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,168,327	2,891,707

	Notes	2016	2015
EARNINGS PER SHARE			
Basic	8	49.9p	34.9p
Diluted	8	49.2p	33.9p

The notes on pages 20 to 47 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31st March 2016

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

The notes on pages 20 to 47 form part of these financial statements.

Company Number: 00771335

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31st March 2016

	Notes	2016 £	2016 £	2015 £	2015 £
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	10		1,365,559		1,243,011
Intangible assets	11		5,282,727		5,400,293
TOTAL NON-CURRENT ASSETS			6,648,286		6,643,304
CURRENT ASSETS					
Inventories	14	5,534,255		5,401,562	
Trade and other receivables	15	13,465,189		8,873,647	
Corporation tax receivable		-		129,442	
Cash and cash equivalents		993,821		1,737,523	
TOTAL CURRENT ASSETS			19,993,265		16,142,174
TOTAL ASSETS			26,641,551		22,785,478
LIABILITIES					
CURRENT LIABILITIES					
Bank overdraft	17	4,398,200		4,200,997	
Trade and other payables	16	6,024,265		5,833,520	
Corporation tax liabilities		164,556		4,875	
TOTAL CURRENT LIABILITIES			10,587,021		10,039,392
NON CURRENT LIABILITIES					
Trade and other payables	18	5,443		8,516	
Deferred tax liability	20	284,545		346,536	
TOTAL NON-CURRENT LIABILITIES			289,988		355,052
TOTAL LIABILITIES			10,877,009		10,394,444
TOTAL NET ASSETS			15,764,542		12,391,034
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
Share capital	21		421,101		416,580
Share premium reserve	22		3,628,748		3,628,748
Capital redemption reserve	22		4,674		4,674
Retained earnings	22		11,991,388		8,654,105
Shares held in treasury	23		(281,369)		(313,073)
TOTAL EQUITY			15,764,542		12,391,034

The financial statements were approved by the Board of Directors and authorised for issue on 5th July 2016 and were signed on its behalf by:

G S Marsh, *Director*

The notes on pages 20 to 47 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31st March 2016

	2016		2015	
	£	£	£	£
OPERATING ACTIVITIES				
Profit before taxation		4,196,146		3,013,739
Adjustments for:				
Depreciation		406,395		297,617
Amortisation		225,057		195,958
Impairments		618,167		-
Loss on disposal of property, plant and equipment		1,967		5,676
Share based payment expense		173,578		210,653
Finance costs		112,082		48,411
Other		31,704		-
Profit from operations before changes in working capital and provisions		5,765,096		3,772,054
Decrease/(increase) in inventories	161,633		(826,972)	
(Increase)/decrease in trade and other receivables	(3,663,357)		1,564,512	
Decrease in trade and other payables	(467,788)		(1,659,225)	
Decrease in provisions	-		(170,000)	
		(3,969,512)		(1,091,685)
Cash generated from operations		1,795,584		2,680,369
Income taxes paid	(102,124)		(522,143)	
Income taxes recovered	128,342		45,785	
		26,218		(476,358)
Cash flow from operating activities		1,821,802		2,204,011
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(900,036)		(524,918)	
Purchase of intangible assets	(36,109)		(660,751)	
Proceeds of sales from property, plant and equipment	55,288		38,100	
Consideration paid on acquisition of subsidiaries	(1,760,461)		-	
Cash with subsidiaries over which control has been obtained	977,005		-	
		(1,664,313)		(1,147,569)
		157,489		1,056,442
FINANCING ACTIVITIES				
Issue of ordinary shares	4,521		5,044	
Invoice discounting finance (net movement)	-		(1,143,758)	
Interest paid	(112,082)		(48,411)	
Dividend paid to equity shareholders	(990,832)		(810,400)	
Purchase of own shares for holding in treasury	-		(313,073)	
		(1,098,393)		(2,310,598)
DECREASE IN CASH AND CASH EQUIVALENTS		(940,904)		(1,254,156)

The notes on pages 20 to 47 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31st March 2016 (continued)

Cash and cash equivalents comprise:

	2016 £	2015 £
Net decrease in cash and cash equivalents	(940,904)	(1,254,156)
Cash and cash equivalents at beginning of year	(2,463,474)	(1,209,318)
Cash and cash equivalents at end of year	(3,404,378)	(2,463,474)

There were no significant non-cash transactions.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS

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

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board as adopted by the European Union ("IFRSs") and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRSs.

As allowed by IFRS 1, we have elected not to apply IFRS retrospectively for business combinations computed prior to 1st April 2006 and have used the carrying value of goodwill resulting from business combinations occurring before the date of transition as deemed costs, subjecting this to impairment reviews at the date of transition (1st April 2006) and at the end of each financial year thereafter.

Basis of Consolidation
Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

Going concern
The going concern basis of accounting has been used in the preparation of these financial statements. The directors have not identified any material uncertainties in this regard.

Business Combinations
The consolidated financial statements incorporate the results of business combinations using the purchase method other than disclosed above. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

Goodwill
Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the statement of comprehensive income.

Any gains on acquisition are recognised in the statement of comprehensive income on the date of acquisition.

Impairment tests on goodwill are undertaken annually at 31st March as it is not amortised.

Impairment of non-financial assets
Impairment tests on goodwill are undertaken annually on 31st 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 the administrative expenses line item 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Intangible Assets (other than goodwill)
Intangible assets are recognised on business combinations if they are separable from the acquired entity or arise from other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Externally acquired intangible 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. The amortisation expense is included within the administration expense line in the consolidated statement of comprehensive income. Software is amortised over its useful economic life of 5 years and other intangible assets over their useful economic life of 10 years.

Intangible assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying value may not be recoverable.

Revenue
Revenue represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Revenue is recognised when the risks and rewards of owning the goods has passed to the customer which is generally on collection. 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.

In the case of mobilisation contracts with defined milestones, revenue and related costs are recognised once the attainment of a particular milestone has been agreed with the customer. Retentions which are contingent on future events are only recognised when the customer has agreed that those future criteria have been met and the retention is thus payable.

Compensation payments are recognised as revenue in the period that any related activities are completed, the amount can be measured reliably and it is probable that future economic benefit will be realised.

Property, plant and equipment
Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

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
Computers- 20% per annum on a straight line basis
Motor vehicles- 25% per annum on a reducing balance basis

Leased assets
Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight-line basis over the lease term.

Where substantially all the risks and rewards of ownership have passed to the Group (a " finance lease ") the assets are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future obligations under the leases are included as liabilities in the consolidated statement of financial position. The interest element of the rental obligation is charged to the consolidated statement of comprehensive income over the period of the lease and represents a constant proportion of the balance of the capital outstanding. Assets held under hire purchase agreements are treated as assets held under finance leases for accounting purposes.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. 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.

Deferred taxation
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet 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 balance sheet 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.

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

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.

Research and development costs
Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be available for use or sold;
- adequate technical, financial and other resources are available to complete the development;
- there is an intention to complete and sell or use the product;
- there is an ability for the Group to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the cost of sales line in the statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the statement of comprehensive income as incurred.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

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.

Financial assets
The Group classifies its assets into one of the following categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss: This category comprises only in-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. Other than derivatives, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through the profit and loss account

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

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

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities
The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. Other than financial liabilities in a qualifying hedging relationship (see below), the Group's accounting policy for each category is as follows:

Fair value through the profit and loss: This category comprises only out-of-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income.

Other financial liabilities: Other financial liabilities include the following items:

- Trade payables and other short term monetary liabilities, which are recognised at amortised cost.
- Bank borrowings are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of liability carried in the statement of financial position "Interest expense" in this context includes initial transaction costs and premia payable on redemption, as well as any interest while the liability is outstanding.

Treasury Shares
Shares in Solid State PLC purchased for holding in treasury are held at cost as 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Shared 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 statement of comprehensive income over the remaining vesting period.

Standards and amendments and interpretations to published standards not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1st April 2016 or later periods and which the group has decided not to adopt early are:

IFRS 7 Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1st January 2016)

IFRS 9 Financial Instruments (effective for accounting periods beginning or after 1st January 2018).

Amendments to IFRS 10 Consolidated Financial Statements (effective for accounting periods beginning on or after 1st January 2016)

IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1st January 2018)

IFRS 16 Leases (effective for accounting periods beginning on or after 1st January 2019)

Amendments to IAS 1 Presentation of Financial Statements (effective for accounting periods beginning on or after 1st January 2016)

Amendments to IAS 7 Statement of Cash Flows (effective for accounting periods beginning on or after 1st January 2017)

Amendments to IAS 12 Income Taxes (effective for accounting periods beginning on or after 1st January 2017)

Amendments to IAS 16 Property, Plant and Equipment (effective for accounting periods beginning on or after 1st January 2016)

Amendments to IAS 19 Employee Benefits (effective for accounting periods beginning on or after 1st January 2016)

Amendments to IAS 34 Interim Financial Reporting (effective for accounting periods beginning on or after 1st January 2016)

Amendments to IAS 38 Intangible Assets (effective for accounting periods beginning on or after 1st January 2016)

With the exception of IFRS 16, the implementation of these standards is not expected to have any material effect on the Group's financial statements. The impact that the implementation of IFRS 16 will have on the financial statements is currently being assessed.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

2. REVENUE

Revenue arises from sale of goods and compensation.

Revenue analysed geographically between markets was as follows:

	2016 £	2015 £
United Kingdom	37,569,583	32,267,416
Rest of Europe	3,267,264	2,733,195
Asia	845,293	849,410
North America	2,242,874	577,458
Rest of World	175,247	131,798
	44,100,261	36,559,277

3. PROFIT FROM OPERATIONS

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

	2016 £	2015 £
Staff costs (see note 4)	6,107,273	5,785,619
Employment termination costs (included in staff costs)	103,423	33,928
Depreciation of property, plant and equipment	406,395	297,617
Impairment of property, plant and equipment	87,200	-
Amortisation of intangible assets	225,057	195,958
Write down of intangible assets	530,967	-
Loss on disposal of property, plant and equipment	1,968	5,676
Auditors' remuneration:		
Audit fees	3,950	2,750
Audit of accounts of associates of the company pursuant to legislation	58,000	51,000
Non audit fees: taxation advisory services	1,000	2,500
:other advisory services	2,000	4,500
Operating lease rentals:		
Plant and machinery	43,497	78,395
Other	288,948	291,749
Research and development costs	4,286,988	436,196
Foreign exchange differences	(57,614)	(179,358)
Stock write downs	337,952	234,000

The foreign exchange differences have been treated as an adjustment to cost of sales rather than as an overhead.

Details of transactions with businesses associated with the Directors are given in Note 5.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

4. STAFF COSTS

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

	2016	**2015**
	£	**£**
Wages and salaries	5,184,595	5,042,722
Social security costs	542,027	579,052
Other pension costs	380,651	163,845
	6,107,273	5,785,619

Wages and salaries include termination costs of £103,423 (2015: £33,928)

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

	2016 Number	**2015 Number**
Selling and distribution	55	49
Manufacturing	42	45
Management and administration	64	52
	161	146

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

5. DIRECTORS' EMOLUMENTS, INTERESTS AND SERVICES CONTRACTS

The value of all elements of remuneration received by each Director in the year was as follows:

	Salary/ Fees £	Benefits in kind £	Total emoluments £	Pension contributions £	Total £
31st March 2016					
G S Marsh	163,607	36,417	200,024	9,264	209,288
J M Lavery	133,646	32,624	166,270	23,234	189,504
J L Macmichael	133,328	20,770	154,098	8,800	162,898
P Haining	48,000	-	48,000	480	48,480
A B Frere	12,000	-	12,000	-	12,000
M T Nutter (from 05/01/2016, resigned 29/06/2016)	23,412	2,437	25,849	3,850	29,699
Total	513,993	92,248	606,241	45,628	651,869
31st March 2015					
W G Marsh (to 31/12/14)	19,000	15,000	34,000	-	34,000
G S Marsh	154,000	30,000	184,000	7,000	191,000
J M Lavery	143,000	30,000	173,000	9,000	182,000
J L Macmichael	114,000	21,000	135,000	7,000	142,000
P Haining	60,000	-	60,000	-	60,000
G L Comben (to 31/12/14)	19,000	6,000	25,000	-	25,000
A B Frere	12,000	-	12,000	-	12,000
Total	521,000	102,000	623,000	23,000	646,000

The principal benefits in kind relate to the provision of company cars, fuel and private healthcare.

In addition to the above, fees totalling £53,262 (2015: £51,400) arose during the year in respect of accountancy services provided by The Kings Mill Practice, a firm of which P Haining is the proprietor. A balance of £nil (2015: £18,366) was due to The Kings Mill Practice at 31st March 2016.

Fees totalling £49,884 (2015: £46,977) arose during the year in respect of the services of A B Frere provided by Condev Limited. A balance of £5,418 (2015: £4,968) was due to Condev Limited at 31st March 2016.

Fees totalling £nil (2015: £23,200) arose during the period from 1st July 2014 to 31st December 2014 in respect of the services of G L Comben provided by G L Comben Consultancy Limited. A balance of £nil (2015: £3,867) was due to G L Comben Consultancy Limited at 31st March 2016.

Fees totalling £nil (2014: £19,000) arose during the period from 1st July 2014 to 31st December 2014 in respect of the services of W G Marsh provided by W G Marsh Consultancy Limited. A balance of £nil (2014: £3,167) was due to W G Marsh Consultancy Limited at 31st March 2016.

The executive Directors have service contracts with the Company which are terminable by the Company, or the relevant Director, on one year's notice, with the exception of Mr M T Richards, whose period of notice is currently one week.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

5. DIRECTORS' EMOLUMENTS, INTERESTS AND SERVICES CONTRACTS (continued)

The Directors of the Company on 5th July 2016 and at the statement of financial position date, and their interest in the issued ordinary share capital of the Company at that date, at 31st March 2016 and 31st March 2015 or date of appointment if later, were as follows:

	05.07.16	**31.03.16**	**31.03.15**
G S Marsh	450,071	450,071	443,456
J M Lavery	96,458	96,458	69,843
P Haining	52,500	52,500	52,500
J L Macmichael	108,700	108,700	100,565
A B Frere	8,004	8,004	56,000
M T Nutter (resigned 29th June 2016)	-	-	-
M T Richards	-	-	-

Details of the options over the Company's shares granted under the Enterprise Management Incentives Scheme are as follows:

	Options held at 01.04.15	**Exercised**	**Lapsed**	**Options held at 31.03.16**	**Exercise price**	**Date of grant**	**Exercise period**
G S Marsh	36,400	(36,400)	-	-	5p	07.08.13	August 2014 to August 2023
	31,600	-	-	31,600	5p	07.08.13	August 2014 to August 2023
J M Lavery	36,400	(36,400)	-	-	5p	07.08.13	August 2014 to August 2023
	31,600	-	-	31,600	5p	07.08.13	August 2014 to August 2023
J L Macmichael	36,400	(17,609)	(18,791)	-	5p	07.08.13	August 2014 to August 2023
	31,600	-	-	31,600	5p	07.08.13	August 2014 to August 2023

The market price of the shares at 31st March 2016 was £3.65 (2015: £6.33), with a quoted range during the year of £3.44 to £9.07.

All the options at 31st March 2016 are subject to performance criteria based on the year ended 31st March 2016. The market value at the date of grant was £2.38.

For G S Marsh the criteria are based on the pre-tax profit of the group, for J M Lavery on the pre-tax profit of the manufacturing division and for J L Macmichael on the pre-tax profit of the distribution division.

The aggregate gain on exercise of share options in the year was £775,709 (2015: £597,737).

6. FINANCE COSTS

	2016 £	**2015** £
Bank borrowings	110,873	34,801
Invoice discounting interest	-	7,265
Other interest	1,209	6,345
	112,082	48,411

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

7. TAX EXPENSE

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

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

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

8. EARNINGS PER SHARE

The earnings per share is based on the following:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

9. DIVIDENDS

	2016 £	2015 £
Final dividend paid for the prior year of 8p per share (2015: 5.75p)	673,761	479,067
Interim dividend paid of 4p per share (2015: 4p)	336,881	333,264
Cancelled dividends on shares held in treasury	(5,065)	(1,931)
	1,004,622	810,400
Final dividend proposed for the year 8p per share (2015: 8p)	670,400	662,667

The proposed final dividend has not been accrued for as the dividend will be approved by the shareholders at the annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

10. PROPERTY, PLANT AND EQUIPMENT

	Short leasehold property improvements £	Motor vehicles £	Fittings equipment and computers £	Total £
Year ended 31st March 2015				
Cost				
1st April 2014	298,399	756,583	1,413,936	2,468,918
Additions	117,361	237,113	170,444	524,918
Disposals	-	(115,439)	-	(115,439)
31st March 2015	415,760	878,257	1,584,380	2,878,397
Depreciation				
1st April 2014	78,630	214,427	1,116,375	1,409,432
Charge for the year	39,075	160,742	97,800	297,617
On disposal	-	(71,663)	-	(71,663)
31st March 2015	117,705	303,506	1,214,175	1,635,386
Net book value				
31st March 2015	298,055	574,751	370,205	1,243,011
Year ended 31st March 2016				
Cost				
1st April 2015	415,760	878,257	1,584,380	2,878,397
Additions	26,801	329,963	268,195	624,959
Acquisition of subsidiaries	-	42,534	5,905	48,439
Disposals	-	(183,813)	-	(183,813)
31st March 2016	442,561	1,066,941	1,858,480	3,367,982
Depreciation and impairment				
1st April 2015	117,705	303,506	1,214,175	1,635,386
Charge for the year	53,360	205,187	147,848	406,395
Impairment charge	71,859	-	15,341	87,200
On disposal	-	(126,558)	-	(126,558)
31st March 2016	242,924	382,135	1,377,364	2,002,423
Net book value				
31st March 2016	199,637	684,806	481,116	1,365,559

At 31st March 2016, the assets included a motor vehicle held under a finance lease. The net book value was £7,417 (2015: £9.889) and the depreciation charge for the year was £2,472 (2015: £3,296)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

11. INTANGIBLE ASSETS

	Development Costs £	Computer software £	Goodwill on consolidation £	Other intangible assets £	Total £
Year ended 31st March 2015					
Cost					
1st April 2014	-	163,824	3,508,677	1,484,098	5,156,599
Additions	503,121	157,630	-	-	660,751
31st March 2015	503,121	321,454	3,508,677	1,484,098	5,817,350
Amortisation					
1st April 2014	-	106,545	-	114,554	221,099
Charge for the year	-	48,528	-	147,430	195,958
31st March 2015	-	155,073	-	261,984	417,057
Net book value					
31st March 2015	503,121	166,381	3,508,677	1,222,114	5,400,293
Year ended 31st March 2016					
Cost					
1st April 2015	503,121	321,454	3,508,677	1,484,098	5,817,350
Additions	-	36,109	-	-	36,109
Acquisition of subsidiaries	-	4,102	253,991	344,256	602,349
Write-down	(503,121)	-	-	-	(503,121)
31st March 2016	-	361,665	3,762,668	1,828,354	5,952,687
Amortisation					
1st April 2015	-	155,073	-	261,984	417,057
Charge for the year	-	43,202	-	181,855	225,057
Impairment charge	-	27,846	-	-	27,846
31st March 2016	-	226,121	-	443,839	669,960
Net book value					
31st March 2016	-	135,544	3,762,668	1,384,515	5,282,727

The cost of other intangible assets comprises the estimated net present value of customer and supplier relationships identified on acquisitions. The development costs relate to the cost of developing a new electronic monitoring division to enable the company to extend its operations into this new growth area. The assets developed are no longer deemed to meet the recognition criteria of development costs and have been written down.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2016 (continued)

12. GOODWILL AND IMPAIRMENT

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

	Goodwill carrying amount 2016 £	2015 £
Steatite Limited	2,206,278	2,206,278
Q-Par Angus Limited	24,332	24,332
Solid State Supplies Limited	1,278,067	1,278,067
Ginsbury Electronics Limited	255,140	-
	3,763,817	3,508,677

The recoverable amounts of all the above CGUs have been determined from a review of the current and anticipated performance of these units. In preparing the projection, a discount rate of 15% (2015: 15%) has been used based on the group's estimated weighted average cost of capital. A future growth rate of 2.0% (2015:2.25%) has been assumed beyond the first year, for which the projection is based on the budget approved by the board of directors. The future growth rate has been applied for the next four years. It has been assumed investment in capital equipment will equate to depreciation over this period.

The recoverable amount exceeds the carrying amount by £5,283,000 (2015: £24,605,000). If any one of the following changes were made to the above key assumptions, the carrying amount would still exceed the recoverable amount.

Discount rate: Increase from 15% to 18%
Growth rate: Reduction from 2.0% to 1.5%

13. SUBSIDIARIES

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

Subsidiary undertakings	Country of Incorporation	Proportion of voting rights and Ordinary share capital held	Nature of business
Solid State Supplies Limited	Great Britain	100%	Distribution of electronic components.
Steatite Limited	Great Britain	100%	Distribution of electronic components and manufacture of electronic equipment.
Q-Par Angus Limited	Great Britain	100%	Manufacture of microwave and RF equipment
Ginsbury Electronics Limited *	Great Britain	100%	Distribution of electronic components.
2001 Electronic Components Limited	Great Britain	100%	Non trading entity
Wordsworth Technology (Kent) Limited	Great Britain	100%	Non trading entity
Rugged System Limited	Great Britain	100%	Non trading entity
Signregion Limited	Great Britain	100%	Non trading entity

In all cases the country of operation and of incorporation is England. Shares in subsidiary undertakings marked (*) are held indirectly through other group companies.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

14. INVENTORIES

	2016 £	2015 £
Finished goods and goods for resale	4,313,868	4,396,154
Work in progress	1,220,387	1,005,408
	5,534,255	5,401,562

Inventory recognised in costs of sales during the year as an expense was £28,653,662 (2015: £23,741,756). An impairment loss of £337,953 (2015: £378,780) was recognised in cost of sales during the year against inventory due to slow moving and obsolete items.

There is no material difference between the replacement cost of inventories and the amount stated above.

15. TRADE AND OTHER RECEIVABLES

	2016 £	2015 £
Trade receivables	12,730,530	7,312,177
Other receivables	138,469	81,841
Prepayments	596,190	1,479,629
	13,465,189	8,873,647

Impairment losses recognised against trade receivables of £8,959 were reversed during the year (2015: charge of £13,846).

16. TRADE AND OTHER PAYABLES (CURRENT)

	2016 £	2015 £
Trade payables	2,588,138	3,640,425
Other taxes and social security taxes	631,972	738,539
Amounts due under hire purchase agreements	3,073	2,753
Other payables	397,869	205,660
Accruals	1,753,369	582,283
Deferred income	649,844	663,860
	6,024,265	5,833,520

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

17. BANK OVERDRAFT

The bank overdraft is secured by a fixed and floating charge over the assets of the Company and the Group. At the balance sheet date, the Group had an undrawn overdraft facility of £2,095,482 (2015: £1,425,631).

18. TRADE AND OTHER PAYABLES (NON CURRENT)

	2016 £	2015 £
Amounts due under hire purchase agreements	5,443	8,516

19. 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.

There have been no substantive changes in the Group's exposure to financial instrument risks and consequently the objectives, policies and processes are unchanged from the previous period.

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 on the next page:

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

19. FINANCIAL INSTRUMENTS (continued)

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 into 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 in the statement of financial position as shown in note 15 and in the statement of financial position. The amount of the exposure shown in note 15 is stated net of provisions for doubtful debts.

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

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 and the use of forward currency contracts is considered.

Liquidity risk
The Group operates a Group overdraft facility common to all its trading companies.

The Group has approximately a three month visibility in its trading and runs a rolling 3 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 into the future 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 eliminates fully 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.

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	
	2016	**2015**
	£	**£**
Current financial assets		
Trade and other receivables	13,465,189	8,873,647
Cash and cash equivalents	993,821	1,737,523
	14,459,010	10,611,170

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

19. FINANCIAL INSTRUMENTS (continued)

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

	Carrying value 2016 £	Carrying value 2015 £
UK	11,196,973	6,622,131
Non UK	1,533,557	690,046
	12,730,530	7,312,177

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 reversal of £55,224 (2015: charge of £140,695) which represented 0.13% (2015: 0.38%) of revenue. This provision is included within the administrative expenses in the Consolidated Statement of Comprehensive Income.

Trade receivables ageing by geographical segment

Geographical area	Total £	Current £	30 days past due £	60 days past due £	90 days past due £
2016					
UK	11,207,940	9,624,622	1,335,413	222,106	44,679
Non UK	1,561,749	1,223,383	225,689	34,262	59,535
Total	12,769,689	10,848,005	1,561,102	256,368	104,214
Less: Provisions	(39,159)	-	-	-	(39,159)
Total	12,730,530	10,848,005	1,561,102	256,368	65,055
2015					
UK	6,717,746	6,001,957	614,235	31,832	69,722
Non UK	703,197	547,102	110,833	19,369	25,893
Total	7,420,943	6,549,059	725,068	51,201	95,615
Less: Provisions	(108,766)	-	-	(13,151)	(95,615)
Total	7,312,177	6,549,059	725,068	38,050	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

19. FINANCIAL INSTRUMENTS (continued)

The Group records impairment losses on its trade receivables separately from gross receivables. The movements on this allowance account during the year are summarised below:

	2016 £	2015 £
Opening balance	108,766	137,122
Acquisition of subsidiaries	500	-
(Decreases)/Increases in provisions	(55,224)	140,695
Written off against provisions	(14,883)	(169,051)
Closing balance	39,159	108,766

The main factor used in assessing the impairment of trade receivables is the age of the balances and the circumstances of the individual customer.

As shown in the earlier table, at 31st March 2016 trade receivables of £1,882,525 which were past their due date were not impaired (2015: £763,118).

Liquidity risk

	Financial liabilities measured at amortised cost	
	2016 £	2015 £
Current financial liabilities		
Trade and other payables	6,024,265	5,833,520
Bank overdraft	4,398,200	4,200,997
	10,422,465	10,034,517
Non current financial liabilities		
Hire purchase creditors	5,443	8,516

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

19. FINANCIAL INSTRUMENTS (continued)

The following are maturities of financial liabilities, including estimated contracted interest payments.

	Carrying amount	Contractual cash flow	6 months or less	6 – 12 months	1 or more years
2016					
Bank overdrafts	4,398,200	4,398,200	4,398,200	-	-
Trade and other payables	6,021,192	6,021,192	6,021,192	-	-
Hire purchase creditors	8,516	8,516	1,494	1,579	5,443
	10,427,908	10,427,908	10,420,886	1,579	5,443
2015					
Bank overdrafts	4,200,997	4,200,997	4,200,997	-	-
Trade and other payables	5,830,767	5,830,767	5,830,767	-	-
Hire purchase creditors	11,269	11,269	1,188	1,565	8,516
	10,043,033	10,043,033	10,032,952	1,565	8,516

Interest rate risk
The Group finances its business through a bank overdraft facility. During the year the Group utilised this facility at a floating rate of interest.

The Group bank overdraft with Lloyds Bank plc incurs interest at the rate of 2.0% over the Lloyds Bank base rate. The Group is affected by changes in the UK interest rate.

The US Dollar overdraft facility bears the interest rate of 1.0% over the Lloyds Bank US dollar reference rate and is therefore affected by changes in the US interest rate.

The fair value of the Group's financial instruments 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 £44,833 (2015: £19,364) 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
For the year ended 31st March 2016 (continued)

19. FINANCIAL INSTRUMENTS (continued)

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 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 with the exception of the following items which were denominated in US dollars, and 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 table shows the net liabilities exposed to US dollar exchange rate risk that the Group has at 31st March 2016:

	2016	**2015**
	£	**£**
Trade receivables	2,447,928	1,851,364
Cash and cash equivalents	373,546	126,567
Trade payables and accruals	(1,553,397)	(1,642,010)
	1,268,077	335,921

There were also net liabilities of £30,112 in euros (2015: net assets of £21,444).

The Group is exposed to currency risk because it undertakes trading transactions in US dollars and euros. 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 two linked forward purchase agreements in place at 31st March 2016 (2015: nil) with nil net exposure (2015: 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 £138,000 (2015: £36,000) and 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 £113,000 (2015: £(36,000)).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

19. FINANCIAL INSTRUMENTS (continued)

Capital under management
The Group considers its capital to comprise its ordinary share capital, share premium account, capital redemption reserve, foreign exchange reserve and accumulated retained earnings.

In managing its capital, the Group's primary objective is to maximise returns for its equity shareholders. The Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain sufficient funding to enable the Group to meet its working capital and strategic investment need. 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.

The Group's gearing ratio at 31st March 2016 is shown below:

	2016	**2015**
	£	**£**
Cash and cash equivalents	(993,821)	(1,737,523)
Bank overdrafts	4,398,200	4,200,997
Hire purchase finance	8,516	11,269
	3,412,895	2,474,743
Share capital	421,101	416,580
Share premium account	3,628,748	3,628,748
Retained earnings	11,991,388	8,654,105
Capital redemption reserve	4,674	4,674
Shares held in treasury	(281,369)	(313,073)
	15,764,542	12,391,034
Gearing ratio	0.22	0.20

20. DEFERRED TAX

	2016	**2015**
	£	**£**
Accelerated capital allowances, capitalised development costs and goodwill on acquisition of subsidiaries:		
At 1st April 2015	346,536	224,084
Deferred tax arising on acquisition of subsidiaries	74,810	-
Charge for the year	(118,396)	127,655
Effect of tax rate change	(18,405)	(5,203)
At 31st March 2016	284,545	346,536

Deferred tax is calculated based on substantively enacted rate for the period in which the timing difference is expected to reverse. The main rate of corporation tax reduced from 21% to 20% from 1 April 2015, as enacted by the Finance Act in July 2013. Following Budget announcements, there will be a further reduction in the main rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020.

The amount of the net reversal of deferred tax expected to occur next year is £64,388 (2015: £140,444) relating to the timing differences on tangible fixed assets.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

21. SHARE CAPITAL

	2016 £	2015 £
Allotted issued and fully paid		
8,422,015 (2014: 8,331,606) ordinary shares of 5p each	421,101	416,580

On 28th July 2015, Mr J L Macmichael exercised share options over 17,609 ordinary shares which were issued at an exercise price of 5p.

On 28th July 2015, Mr G S Marsh exercised share options over 36,400 ordinary shares which were issued at an exercise price of 5p.

On 28th July 2015, Mr J M Lavery exercised share options over 36,400 ordinary shares which were issued at an exercise price of 5p.

An Enterprise Management Incentive Scheme was adopted by the company in September 2000 and formally approved at an Extraordinary General Meeting on 12th December 2000.

Details of options granted are set out in Note 5. At 31st March 2016 the number of shares covered by option agreements amounted to 94,800 (2015: 204,000).

22. RESERVES

Full details of movements in reserves are set out in the consolidated statement of changes in equity on page 16.

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.
Capital redemption	Amounts transferred from share capital on redemption of issued shares.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.
Shares held in treasury	Shares held by the Group for future staff share plan awards

23. TREASURY SHARES

In January 2016, 6,250 (2015 5,632) shares were awarded under the All Employee Share Plan. At 31st March 2016 the group held 42,021 (2015: 48,271) shares in treasury with a cost of £281,369 (2015: £313,073). No shares have been cancelled.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

24. LEASING COMMITMENTS

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016 £	2015 £
No later than 1 year	290,378	288,980
Later than 1 year and no later than 5 years	964,460	881,937
Later than 5 years	15,000	313,500

25. SHARE BASED PAYMENT

The Group operates an approved Enterprise Management Incentive Scheme whereby Mr G S Marsh, Mr J M Lavery and Mr J L Macmichael have been granted options to purchase shares in Solid State PLC at a subscription price of 5p per share. The options in place at 31st March 2016 all have exercise periods of any time after finalisation of the accounts for the year on which the performance criteria are based. Full details are set out in Note 5 on pages 27 and 28.

The fair value of the options is based on the market value at the date of grant of the number of shares for which the performance criteria have been met for the year less the exercise price of 5p per share. The market value per share at the date of grant was £2.38.

The share based remuneration expenses amount to £173,578 for the year (2015: £210,653).

26. CAPITAL COMMITMENTS

At 31st March 2016 there were capital commitments for plant and machinery of £234,189 (2015: £nil).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

27. SEGMENT INFORMATION

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

Year ended 31st March 2016

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

During the year ended 31st March 2016, greater than 10% of the group's turnover was derived from one customer within the Manufacturing division.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

27. SEGMENT INFORMATION (continued)

Year ended 31st March 2015

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

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

All the above relate to continuing operations.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

28. ACQUISITIONS DURING THE YEAR

On 1st April 2015 the Group acquires 100% of the ordinary shares in Signregion Limited and its wholly owned subsidiary Ginsbury Electronics Limited, for a cash consideration of £2.1m, with an initial cash transfer of £1,585,000 followed by a further £525,000 payable in three equal six monthly tranches. Ginsbury specialises in the supply of high quality display components, monitors, panels, signage and power components to the commercial, retail, industrial and military markets throughout the UK and Europe.

A breakdown of assets and liabilities acquired is as follows:

	Book Value	Fair value Adjustment	Fair value to group
	£'000	£'000	£'000
Intangible fixed assets	-	348	348
Tangible fixed assets	49	-	49
Stock	294	-	294
Debtors	652	-	652
Cash at bank	977	-	977
Creditors	(385)	(4)	(389)
Deferred Tax	(6)	(69)	(75)
Net assets on acquisition	1,581	275	1,856
Goodwill on acquisition			254
Consideration			2,110
Discharged by:			
Cash paid on acquisition			1,585
Deferred cash consideration			525
			2,110

The intangible assets are in relation to customer contacts and relationships. The goodwill recognised represents expected synergies from combining the operations of Ginsbury with those of the Distribution division and expected value from incremental sales arising across the combined operation that is not separately recognisable at the date of acquisition.

In addition to the purchase price, the group incurred £23,000 of acquisition costs that have been included in administrative expenses.

The revenue and profit after tax for the year included in the Statement of Comprehensive Income arising from Ginsbury were £3,184,000 and £239,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2016 (continued)

29. POST BALANCE SHEET EVENT

On 31st May 2016 the Group acquired 100% of the ordinary shares in Creasefield Limited for a cash consideration of £1.54m subject to a net asset adjustment once completion accounts have been finalised. This investment will be included in the Group's balance sheet at its fair value at the date of acquisition. Creasefield specialises in the supply of battery packs to the commercial, retail, industrial and military markets throughout the UK and Europe.

Completion accounts have not yet been prepared for the acquired company.

The consideration paid on completion was £1,400,000 and there will be a further payment of £140,000, subject to a net asset adjustment once the completion accounts have been finalised.

Analysis of the excess of cost over net tangible assets will be carried out to ascertain the value of the intangible fixed assets and the value of goodwill on acquisition.

The acquisition costs of approximately £86,000 will be written off as overheads in the financial year ended 31st March 2017.

Company Number: 00771335

COMPANY STATEMENT OF FINANCIAL POSITION
at 31st March 2016

	Notes	**2016** £	**2016** £	**2015** £	**2015** £
FIXED ASSETS					
Investments	4		7,891,535		5,781,074
CURRENT ASSETS					
Debtors	5	3,340,875		1,894,182	
Cash at bank and in hand		173,611		1,610,625	
		3,514,486		3,504,807	
CREDITORS: Amounts falling due within one year	6	5,945,746		4,685,836	
NET CURRENT (LIABILITIES)			(2,431,260)		(1,181,029)
NET ASSETS			5,460,275		4,600,045
CAPITAL AND RESERVES					
Called up share capital	7		421,101		416,580
Share premium account	8		3,628,748		3,628,748
Capital redemption reserve	8		4,674		4,674
Profit and loss account	8		1,687,121		863,116
Shares held in treasury	9		(281,369)		(313,073)
SHAREHOLDERS' FUNDS			5,460,275		4,600,045

The financial statements were approved by the Board of Directors and authorised for issue on 5th July 2016.

G S Marsh, *Director*

The notes on pages 51 to 55 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31st March 2016

	Share Capital	Share Premium Reserve	Capital Redemption Reserve	Profit & Loss Account	Shares held in Treasury	Total
Balance at 31st March 2014	411,536	3,628,748	4,674	483,562	-	4,528,520
Total comprehensive income For the year ended 31st March 2015	-	-	-	979,301	-	979,301
Issue of new shares	5,044	-	-	-	-	5,044
Share based payment expense	-	-	-	210,653	-	210,653
Dividends	-	-	-	(810,400)	-	(810,400)
Repurchase of own shares into treasury	-	-	-	-	(313,073)	(313,073)
Balance at 31st March 2015	416,580	3,628,748	4,674	863,116	(313,073)	4,600,045
Total comprehensive income For the year ended 31st March 2016	-	-	-	1,655,049	-	1,655,049
Issue of new shares	4,521	-	-	-	-	4,521
Share based payment expense	-	-	-	173,578	-	173,578
Dividends	-	-	-	(1,004,622)	-	(1,004,622)
Transfer of shares to All Employee Share Ownership Plan	-	-	-	-	31,704	31,704
Balance at 31st March 2016	421,101	3,628,748	4,674	1,687,121	(281,369)	5,460,275

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31st March 2016

	2016		2015	
	£	£	£	£
OPERATING ACTIVITIES				
Profit before taxation and dividends received		(955,074)		(888,149)
Adjustments for:				
Share based payment expense		173,578		210,653
Profit from operations before changes in working capital and provisions		(781,496)		(677,496)
(Decrease) / Increase in debtors	(1,153,908)		306,246	
Decrease in creditors	1,205,432		(1,605,787)	
		51,524		(1,299,541)
Cash consumed by operations		(729,972)		(1,977,037)
Income taxes recovered		-		-
Cash flow from operating activities		(729,972)		(1,977,037)
INVESTING ACTIVITIES				
Dividends received from subsidiaries	2,300,000		1,600,000	
Consideration paid on acquisition of subsidiaries	(1,760,461)		(41,694)	
		539,539		1,558,306
		(190,433)		(418,731)
FINANCING ACTIVITIES				
Issue of ordinary shares	4,521		5,044	
Interest paid	-		-	
Dividend paid to equity shareholders	(990,832)		(810,400)	
Purchase of own shares for holding in treasury	-		(313,073)	
		(986,311)		(1,118,429)
DECREASE IN CASH AND CASH EQUIVALENTS		(1,176,744)		(1,537,160)

Cash and cash equivalents comprise:

	2016	2015
	£	£
Net decrease in cash and cash equivalents	(1,176,744)	(1,537,160)
Cash and cash equivalents at beginning of year	(2,844,840)	(1,307,680)
Cash and cash equivalents at end of year	(4,021,584)	(2,844,840)
Cash available on demand	173,611	1,610,625
Overdrafts	(4,195,195)	(4,455,465)
	(4,021,584)	(2,844,840)

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31st March 2016

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which 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.

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 10 for an explanation of the transition.

The financial statements are prepared in sterling (£).

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 31st March 2016 is 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 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.

Other financial liabilities
Other financial liabilities include the following items:

- Amounts owed by group undertakings and other creditors, which are recognised at amortised cost.
- Bank borrowings are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liabilities carried in the balance sheet. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

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 profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet 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 change is made irrespective of whether the market vesting conditions are satisfied. T-he cumulative expense is not adjusted for factors 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 profit and loss account over the remaining vesting period.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31st March 2016

1. ACCOUNTING POLICIES (continued)

Treasury Shares
Shares in Solid State PLC purchased for holding in treasury are held at cost as a separate negative reserve in the capital section of the statement of financial position. Any dividends paid in relation to these shares are cancelled.

2. STAFF COSTS

Staff costs amounted £655,804 (2015: £544,095) and comprised the share based payment expense of £173,578 (2015: £210,653) provision for employer's national insurance on exercise of share options of £23,954 (2015: £29,070) and salary and related costs in respect of Mr G L Comben, Mr W G Marsh, Mr A B Frere, Mr G S Marsh, Mr M T Nutter (resigned 29 June 2016) and Mr P Haining. No other remuneration was paid by the Company. Details of directors' emoluments are given in note 5 to the Group financial statements.

3. SHARE BASED PAYMENT

The Group operates an approved Enterprise Management Incentive Scheme whereby Mr G S Marsh, Mr J M Lavery and Mr J L Macmichael have been granted options to purchase shares in Solid State PLC at a subscription price of 5p per share. The options in place at 31st March 2016 all have exercise periods of any time after finalisation of the accounts for the year on which the performance criteria are based. Full details are set out in Note 5 on pages 27 and 28.

The fair value of the options is based on the market value at the date of grant of the number of shares for which the performance criteria have been met for the year less the exercise price of 5p per share. The market value per share at the date of grant was £2.38.

The share based remuneration expenses amount to £173,578 for the year (2015: £210,653)

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31st March 2016

4. INVESTMENTS

Company

	Group undertakings £
Cost	
1st April 2015	5,781,074
Additions	2,110,461
31st March 2016	7,891,535
Net book value	
31st March 2016	7,891,535
31st March 2015	5,781,074

Details of the addition are disclosed in note 28 of the group financial statements.

Subsidiary undertakings

The subsidiaries of Solid State PLC are as follows are as follows:

Subsidiary undertakings	**Proportion of voting rights and Ordinary share capital held**	**Nature of business**
Solid State Supplies Limited	100%	Distribution of electronic components
Steatite Limited	100%	Distribution of electronic components and manufacture of electronic equipment
Q-Par Angus Limited	100%	Manufacture of microwave and RF equipment
Ginsbury Electronics Limited *	100%	Distribution of electronic components
2001 Electronic Components Limited	100%	Non trading entity
Wordsworth Technology (Kent) Limited	100%	Non trading entity
Rugged Systems Limited	100%	Non trading entity
Signregion Limited	100%	Non trading entity

In all cases the country of operation and of incorporation or registration is England.

Shares in subsidiary undertakings marked (*) are held indirectly through other group companies.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31st March 2016

	2016 £	2015 £
5. DEBTORS		
Amounts owed by Group undertakings	3,326,693	1,876,456
Other debtors	12,799	16,601
Prepayments	1,383	1,125
	3,340,875	1,894,182

6. CREDITORS: Amounts falling due within one year

	2016 £	2015 £
Bank overdraft (secured)	4,195,195	4,455,465
Amounts owed to Group undertakings	1,275,706	129,678
Other taxes and social security costs	31,754	36,270
Other creditors	386,184	57,823
Accruals	56,907	6,600
	5,945,746	4,685,836

The Company has guaranteed bank borrowings of its subsidiary undertakings, Solid State Supplies Limited, Steatite Limited and Q-Par Angus Limited. At the year end the liabilities covered by those guarantees amounted to £203,004 (2015: £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.

7. SHARE CAPITAL

	2016 £	2015 £
Allotted issued and fully paid		
8,422,015 (2014: 8,331,606) ordinary shares of 5p each	421,101	416,580

On 28th July 2015, Mr J L Macmichael exercised share options over 17,609 ordinary shares which were issued at an exercise price of 5p.

On 28th July 2015, Mr G S Marsh exercised share options over 36,400 ordinary shares which were issued at an exercise price of 5p.

On 28th July 2015, Mr J M Lavery exercised share options over 36,400 ordinary shares which were issued at an exercise price of 5p.

An Enterprise Management Incentive Scheme was adopted by the Company in September 2000 and formally approved at an Extraordinary General Meeting on 12th December 2000.

Details of options granted are set out in Note 5 to the Group financial statements. At 31st March 2016 the number of shares covered by option agreements amounted to 94,800 (2015: 204,000).

At 31st March 2016, 42,021 shares were held in treasury (2015: 48,271).

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31st March 2016

8. RESERVES

Full details of movements in reserves are set out in the company statement of changes in equity on page 49.

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.
Capital redemption	Amounts transferred from share capital on redemption of issued shares.
Profit and loss account	Cumulative net gains and losses recognised in the consolidated income statement.
Shares held in treasury	Shares held by the Group for future staff share plan awards

9. OWN SHARES HELD IN TREASURY

At 31st March 2016 the group held 42,021 (2015: 48,271) shares in treasury with a cost of £281,369. No shares have been cancelled.

10. LEASING COMMITMENTS

The company's future minimum payments under operating leases are as follows:

	2016	**2015**
	£	**£**
Within one year	24,000	-
Between one and five years	26,000	-
Later than five years	-	-

11. TRANSITION TO FRS 102

The company has adopted FRS 102 for the year ended 31st March 2016. The last financial statements, under previously extant UK GAAP were for the year ended 31st March 2015. The date of transition was 1st April 2014. A full evaluation has been undertaken and the directors consider that there are no adjustments that alter the previously disclosed statement of financial position or statement of comprehensive income.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Solid State PLC will be held at 2, Ravensbank Business Park, Hedera Road Redditch B98 9EY, on 13th September 2016 at 2.30pm for the following purposes:

ORDINARY RESOLUTIONS

(1) To receive and adopt the accounts for the year ended 31st March 2016, together with the reports of the Directors and auditors thereon. (Resolution 1)

(2) To declare a final dividend of 8p per share. (Resolution 2)

(3) To reappoint John Michael Lavery, who retires by rotation, as a Director of the Company in accordance with the Company's Articles of Association. (Resolution 3)

(4) To reappoint John Lawford Macmichael, who retires by rotation, as a Director of the Company in accordance with the Company's Articles of Association. (Resolution 4)

(5) To reappoint Matthew Thomas Richards, being a director of the Company appointed since the last annual general meeting, in accordance with the Company's Articles of Association. (Resolution 5)

(6) To reappoint haysmacintyre as auditors of the Company. (Resolution 6)

(7) To authorise the Directors to fix the auditors' remuneration. (Resolution 7)

(8) To pass the following resolution:

That the Directors be generally and unconditionally authorised to allot shares in the Company (**Relevant Securities**):

i) comprising equity securities (as defined by section 560 of the Companies Act 2006) up to an aggregate nominal amount of £138,963.25 (which is 33% of the issued share capital) (such amount to be reduced by the nominal amount of any Relevant Securities allotted under paragraph (ii) below) in connection with an offer by way of a rights issue:

(a) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

(b) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

ii) in any other case, up to an aggregate nominal amount of £84,220.15 (which is 20% of the issued share capital) (such amount to be reduced by the nominal amount of any equity securities allotted under paragraph i) above, provided that this authority shall, unless renewed, varied or revoked by the Company, expire after a period of 18 months from the passing of this resolution or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities. (Resolution 8)

SPECIAL RESOLUTIONS

(9) To pass the following resolution:

That the Company is authorised to allot equity securities pursuant to resolution 8 above up to an aggregate nominal amount of £42,110.08, which is 10% of the issued share capital, as if Section 561 of the Companies Act 2006 (existing shareholders – right of pre-emption):

i) did not apply to the allotment; or

ii) applied to the allotment with such modifications as the Directors may determine provided that this authority shall, unless renewed, varied or revoked by the company, expire after a period of 18 months from the passing of this resolution save that the company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted and the Directors may allot equity securities in pursuance of such offer or agreement not withstanding that the authority conferred by the resolution has expired. (Resolution 9)

NOTICE OF ANNUAL GENERAL MEETING (continued)

SPECIAL RESOLUTIONS (continued)

(10) To pass the following resolution:
That the Company is, pursuant to Section 701 of the Companies Act 2006, hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693 of the Companies Act 2006) of ordinary shares of 5p each in the capital of the Company ("ordinary shares") provided that:-

i) the minimum price which may be paid for the ordinary shares is 5p per ordinary share;
ii) the maximum price that may be paid for such shares is, in respect of a share contracted to be purchased on any day , an amount (exclusive of all expenses) equal to 105 per cent of the average middle market quotations of the ordinary shares of the company as derived from the Daily Official List of the London Stock Exchange on the 10 dealing days immediately preceding the day on which the shares are contracted to be purchased;
iii) the authority hereby conferred shall expire after a period of 18 months from the passing of this resolution unless such authority is renewed prior to such expiry;
iv) the authority hereby conferred is in substitution for any existing authority to purchase ordinary shares under the said Section 701;
v) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will be executed wholly or partly after the expiry of such authority and may make a purchase or purchases of ordinary shares in pursuance of any such contract; and
vi) the maximum number of ordinary shares hereby authorised to be purchased by the Company does not exceed 15 per cent of the issued ordinary share capital of the Company at the date of the passing of this resolution. (Resolution 10)

BY ORDER OF THE BOARD

P Haining FCA
Secretary
5th July 2016

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

NOTES:

1. Proxies
Only holders of ordinary shares are entitled to attend and vote at this meeting. A member entitled to attend and vote may appoint a proxy or proxies who need not be a member of the Company to attend and to vote instead of him or her. Forms of proxy need to be deposited with the Company's registrar, Capita Group plc, Balfour House, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours before the time of the meeting. Completion of a form of proxy will not preclude a member attending and voting in person at the meeting.

2. Documents on Display
The register of Directors' interests in the share capital and debentures of the Company, together with copies of service agreements under which Directors of the Company are employed, are available for inspection at the Company's registered office during normal business hours from the date of this notice until the date of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to the meeting.

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