Solid State plc

Annual Report & Accounts
31 March 2009

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DIRECTORS, SECRETARY AND ADVISERS

Directors:	Peter Haining, FCA, *Chairman* Lewis Cyril Ashby Newnham, *Deputy Chairman* Gary Stephen Marsh, *Managing Director* William George Marsh, *Director* John Michael Lavery, *Director* Gordon Leonard Comben, *Director*
Company Secretary and Registered Office:	Peter Haining, FCA Solid State PLC Unit 2 Eastlands Lane Paddock Wood Kent TN12 6BU
Company Number:	771335
Nominated Adviser:	Charles Stanley Securities 25 Luke Street London EC2A 4AR
Broker:	Charles Stanley Securities 25 Luke Street London EC2A 4AR
Auditors:	BDO Stoy Hayward LLP 55 Baker Street London W1U 7EU
Solicitors:	Thomson Snell & Passmore 3 Lonsdale Gardens Tunbridge Wells Kent TN1 1NX
Bankers:	HSBC plc 9 Wellesley Road Croydon Surrey CR9 2AA
Registrars:	Capita IRG plc Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA
Country of Incorporation of Parent Company:	Great Britain
Legal Form:	Public Limited Company

CHAIRMAN'S STATEMENT

Results
The audited profit before tax of the Group was £614,501 (2008: £424,442) on revenue of £12,521,786 (2008: £10,724,333). The basic earnings per share amounted to 7.9p (2008: 5.4p). The pre-tax profit for the year ended 31st March 2008 is stated after charging non-recurring costs of the re-organisation at Paddock Wood of £57,863.

Dividends
The Directors recommend that a final dividend of 2p per share be paid. An interim dividend of 1p per share was paid in January 2009 giving a total dividend in respect of the year of 3p per share (2008: 2p per share). The final dividend will be paid on 7th September 2009 to shareholders on the register at the close of business on 28th August 2009.

Trading Review
The key performance indicators measured by management are sales, bookings and gross profit margins. Bookings are sales orders received.

Solid State Supplies
Whilst bookings slowed during the second half of this financial year in line with the outlook in our interim statement, sales increased by 3% compared to the first half year. This compares favourably with our industry association AFDEC which reported a contraction in the market for 2008 of -5.8%. Order patterns at present have shifted away from placing longer term schedules to requirements for immediate delivery thus preserving our order backlog which is 14% higher than the same period last year. Gross profit margins were impacted during this year as a result of the sudden devaluation of sterling against the US dollar. However, our currency hedging strategies protected us against the worst effects of this devaluation.

Although we have recently seen some improvement in certain areas of the distribution market, conditions remain uncertain and we are therefore keeping tight control on our overheads. During this fiscal year we broadened our product range in our focus areas of embedded processing/connectivity and power semiconductors and modules. We believe there will be further opportunities for new product lines following the recent wave of consolidation in our industry which together with the steps we have already taken mean we are well placed to take advantage of the upturn in the general economy when it comes.

Steatite and Wordsworth Technology
Trading in both companies remains strong. Sales in Steatite were up 22.4% compared to the previous year, whilst Wordsworth sales were up 25.8% compared to the previous year. Key customer contracts within military and the oil industry played a major part in both companies' growth.

The decline in sterling, however, impacted on the gross margins with a decline from 31.1% to 27.8%. Nevertheless the higher turnover level ensured that the level of gross profit overall increased by almost £250,000 with net profit before tax increasing by 10.7%.

The economic climate continues to affect the manufacturing sector but both companies are well positioned to mitigate the current recession with major bids in place and due to be awarded during the first quarter. New product developments based on lower power systems will assist in growing the business whilst helping the company's commitment to design more environmentally sustainable systems.

We will continue to pursue our strategy with value added products, whilst endeavouring to enhance margins with particular attention to exchange rate fluctuations over the ensuing months. We will benefit from reduced overheads following the combination of the two businesses into one company.

The outstanding order book remains strong with a workforce that is skilled and tuned to the business needs. We remain cautiously optimistic for the future.

CHAIRMAN'S STATEMENT (continued)

Summary
These results record a strong year with a 16.7% increase in turnover and an increase in pre-tax profit from £424,442 to £614,501. This has been achieved despite the very significant decline in the value of sterling against the US dollar and the general economic climate.

The effects of the recession have been evidenced by relatively low bookings throughout the Group in the last few months of the year and a tendency for customers to take a cautious approach to placing larger medium term orders, but several sound contracts have been achieved since the balance sheet date and the Directors consider the Group is well placed to trade through the forthcoming months when the UK economy is expected to remain in recession and to benefit from an economic upturn when the UK economy recovers.

The Group continues to look for suitable UK acquisitions within the electronics industry.

Renewal of authority to purchase the Company's shares
Last year, a resolution was passed at the Annual General Meeting to give the Company the authority to purchase its own Ordinary shares on the Stock Exchange. This authority would expire after a period of eighteen months from the passing of the resolution. In order to avoid this authority expiring during the next year and the need to call an extraordinary general meeting to renew the authority, a resolution to renew the authority is set out in the notice of the Annual General Meeting on page 50 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 923,476 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 £1. The authority will automatically expire after a period of eighteen months from the passing of the resolution unless renewed.

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

Your Directors consider that the resolution to be proposed at the meeting is 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 4,539,685 Ordinary shares, representing 73.74% of the Company's issued Ordinary share capital.

Conclusion
I would like to thank my fellow Directors and all the staff of the Group for their continued support.

Peter Haining
Chairman
3rd August 2009

DIRECTORS' REPORT
For the year ended 31st March 2009

The Directors submit their report together with the audited financial statements of the Group in respect of the year ended 31st March 2009.

Principal Activities, Review of the Business and Future Developments
The principal activities of the Group during the year continued to be those of the distribution of electronic components and materials and the manufacturing of electronic equipment.

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.

The Directors consider the results for the year to be very satisfactory especially in view of the decline in the value of sterling against the US dollar which has had the effect of increasing the costs of the majority of the group's purchases and the general decline in the UK economy.

The risk of a serious erosion of gross profit margin arising from the currency fluctuations has been offset to some extent by relatively short term hedging arrangements for the purchase of dollars, and by converting sales to dollars rather than sterling in many cases. The success of this policy is evidenced by the fact that the group gross profit margin only declined to a relatively limited extent from 30.9% to 28.1%, and the overall 16.8% increase in turnover resulted in an increase in gross profit from £3,310,394 to £3,514,300.

There is a risk in the current economic recession of a decline in bookings which would result in a decline in billings. Analysis of the ratio of bookings to billings (the book to bill ratio) shows that for the first half of the year under review across the group this amounted to 1.026 : 1 but had declined to 0.939 : 1 for the year as a whole. This reflected lower levels of bookings in all areas of the group in the last months of the financial year, and this has been reflected in group turnover which for the first three months of the new financial year has been 15.9% lower than for the same period last year. However since the balance sheet date the group has been successful in concluding negotiations on several large contracts for delivery in the current financial year and the book to bill ratio for the three month period has been 1.663 : 1 which indicates that turnover in the next few months should be relatively strong.

Overheads were carefully controlled with an increase of less than 2% over the previous year and the net profit before tax amounted to £614,501 compared with £424,442 in the previous year.

The distribution market remained difficult and Solid State Supplies did well to achieve a small increase in its turnover. The range is being expanded and recent amalgamations within the industry should provide opportunities to further extend the range in the current year.

At Redditch, the loss of revenue in the military sector recorded last year is being reversed and Steatite is being very successful in acquiring large contracts in the military sector as well as in batteries and ruggedised computers. The ICP division, where many customers are end users on a small scale, has shown the effects of the recession and pressure on margins here is particularly acute.

The Group has continued to invest in research and development activities at Redditch with expenditure of approximately £150,000 in the year, particularly in the area of industrial batteries for military purposes. The Group has continued to improve its websites which are considered a major marketing tool.

The Group finances its operations by a mixture of retained profits, bank borrowings and invoice discounting facilities. The two bank loans were cleared during the year and the Directors are pleased to note that the net tangible assets have increased by over £370,000 in the year.

DIRECTORS' REPORT
For the year ended 31st March 2009 (continued)

The Group is mainly exposed to credit risk from credit sales. It is Group policy to assess the credit risk of new customers and to factor the information from these credit ratings into future dealings with the customers. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Directors monitor the liquidity and cash flow risk of the Group carefully. The Group has an agreed overdraft limit with the Group's bankers to help manage fluctuations in cash flow. Cash flow is monitored by the Directors on a regular basis and appropriate action is taken where additional funds are required.

The success of the Group's policies on credit sales is evidenced by the fact that the provision in the year was £28,000 which is less than 0.3% of turnover.

The Group does not comment on environmental matters.

The Group continues to look for suitable UK acquisitions within the electronics industry.

Results and Dividends
The consolidated income statement is set out on page 11. The Directors recommend that a final dividend of 2p per share is paid. The total dividend for the year is thus 3p per share. The final dividend will be paid on 7th September 2009 to shareholders on the register at the close of business on 28th August 2009.

Directors
The Directors of the Company during the year were:
P Haining FCA
L C A Newnham
G S Marsh
W G Marsh
J M Lavery
G L Comben (appointed 13th November 2008)

Peter Haining FCA, aged 52, Non-executive Director, Company Secretary and Chairman
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, who were the Company's previous auditors. As well as fulfilling a role as Non-executive Director and Chairman, Peter Haining has specific responsibility for reviewing and advising on the Group's budgets and financial affairs.

Cyril Newnham, aged 71, Non-executive Director and Deputy Chairman
Cyril Newnham is a chartered accountant who has held senior management posts in major companies, both in the UK and overseas. He has held a number of directorships within the electronics industry. He currently conducts a management consultancy practice.

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 Section 1 of the Combined Code which was issued by the Financial Reporting Council in June 2006. 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 Messrs L C A Newnham and W G Marsh, and meets regularly to ensure that the financial performance of the Group is properly recorded and monitored, to meet the auditors and to review the reports from the auditors relating to accounts and internal control systems.

The remuneration committee consists of Messrs W G Marsh, L C A Newnham 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.

DIRECTORS' REPORT

For the year ended 31st March 2009 (continued)

Board of Directors
The Board consists of three executive Directors and three Non-executive Directors and meets regularly throughout the year.

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 Company 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.

Purchase of Own Shares
At the year end the Company had in place authority to purchase 923,476 ordinary shares under authority given by a resolution at the Annual General Meeting on 16th September 2008. This authority expires on 16th March 2010.

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

Internal Control
In respect of internal controls, the Directors are aware of the Turnbull Report and 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The Directors are responsible for preparing the annual report and financial statements in accordance with the Companies Act 1985. The Directors are also required to prepare 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.

Group Financial Statements
International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements." In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

DIRECTORS' REPORT
For the year ended 31st March 2009 (continued)

A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- 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.

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 Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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 financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- make judgements and estimates that are reasonable and prudent.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Creditor Payment Policy
The Company's policy for the year to 31st March 2009 for all suppliers is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment.

Creditor days based on the year end trade creditors and purchases made in the year were 47 days (2008: 52 days).

Auditors
All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the Board
P Haining FCA
Secretary
3rd August 2009

Registered Office: Unit 2, Eastlands Lane, Paddock Wood, Kent, TN12 6BU

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

We have audited the Group and Parent Company financial statements (the "financial statements") of Solid State PLC for the year ended 31st March 2009 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors
The Directors' responsibilities for preparing the annual financial report and Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and for preparing the Parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors Report is consistent with those financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement and Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements. Our responsibilities do not extend other information

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely on this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of Audit Opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we have also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Opinion
In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS adopted by the European Union, of the state of the Group's affairs as at 31st March 2009 and of the Group's profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31st March 2009;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP
Chartered Accountants and
Registered Auditors

London
3rd August 2009

CONSOLIDATED INCOME STATEMENT
For the year ended 31st March 2009

	Notes	2009 £	2008 £
Revenue	2	12,521,786	10,724,333
Cost of sales		(9,007,486)	(7,413,939)
GROSS PROFIT		3,514,300	3,310,394
Distribution costs		(1,204,574)	(1,238,794)
Administrative expenses		(1,634,967)	(1,547,515)
PROFIT FROM OPERATIONS	3	674,759	524,085
Finance income	6	67	397
Finance costs	7	(60,325)	(100,040)
PROFIT BEFORE TAXATION		614,501	424,442
Tax expense	8	(128,670)	(91,362)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		485,831	333,080
EARNINGS PER SHARE			
Basic	9	7.9p	5.4p
Diluted	9	7.9p	5.4p

The notes on pages 16 to 44 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31st March 2009

	Share Capital	Share Premium Reserve	Capital Redemption Reserve	Foreign Exchange Reserve	Retained Earnings	Total
Balance at 31st March 2007	307,826	756,980	4,674	-	1,356,870	2,426,350
Profit for year ended 31st March 2008	-	-	-	-	333,080	333,080
Translation differences on overseas operation	-	-	-	52,864	(52,864)	-
Total recognised income in year	-	-	-	52,864	280,216	333,080
Dividends	-	-	-	-	(169,304)	(169,304)
Share based payment expense	-	-	-	-	9,753	9,753
Balance at 31st March 2008	307,826	756,980	4,674	52,864	1,477,535	2,599,879
Profit for year ended 31st March 2009	-	-	-	-	485,831	485,831
Translation differences on overseas operation	-	-	-	5,262	-	5,262
Total recognised income in year	-	-	-	5,262	485,831	491,093
Dividends	-	-	-		(138,522)	(138,522)
Share based payment expense	-	-	-	-	12,546	12,546
Balance at 31st March 2009	307,826	756,980	4,674	58,126	1,837,390	2,964,996

The notes on pages 16 to 44 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
at 31st March 2009

		2009		2008	
	Notes	£	£	£	£
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	11		289,248		288,534
Intangible assets	12		2,032,806		2,040,373
TOTAL NON-CURRENT ASSETS			2,322,054		2,328,907
CURRENT ASSETS					
Inventories	15	1,554,029		1,562,832	
Trade and other receivables	16	2,219,874		2,043,869	
Cash and cash equivalents		216,796		340,190	
TOTAL CURRENT ASSETS			3,990,699		3,946,891
TOTAL ASSETS			6,312,753		6,275,798
LIABILITIES					
CURRENT LIABILITIES					
Bank overdraft		668,280		803,721	
Trade and other payables	17	1,838,768		1,826,434	
Bank borrowings	18	712,039		938,893	
Corporation tax liabilities		128,670		106,871	
TOTAL LIABILITIES			3,347,757		3,675,919
TOTAL NET ASSETS			2,964,996		2,599,879
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
Share capital	20		307,826		307,826
Share premium reserve	21		756,980		756,980
Capital redemption reserve	21		4,674		4,674
Foreign exchange reserve	21		58,126		52,864
Retained earnings	21		1,837,390		1,477,535
TOTAL EQUITY			2,964,996		2,599,879

The financial statements were approved by the Board of Directors and authorised for issue on 3rd August 2009 and were signed on its behalf by:

P. Haining
Director

The notes on pages 16 to 44 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31st March 2009

	2009		2008	
	£	£	£	£
OPERATING ACTIVITIES				
Profit before taxation		614,501		424,442
Adjustments for:				
Depreciation		89,235		107,794
Amortisation		7,567		641
Loss on disposal of property, plant and equipment		3,346		579
Share based payment expense		12,546		9,753
Finance income		(67)		(397)
Finance costs		60,325		100,040
Profit from operations before changes in working capital and provisions		787,453		642,852
Decrease/(increase) in inventories	8,803		(293,042)	
(Increase)/decrease in trade and other receivables	(176,005)		441,248	
Increase in trade and other payables	32,803		159,829	
		(134,399)		308,035
Cash generated from operations		653,054		950,887
Income taxes paid	(106,871)		(92,352)	
Income taxes repaid	-		941	
		(106,871)		(91,411)
Cash flow from operating activities		546,183		859,476
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(101,795)		(67,310)	
Purchase of computer software	-		(38,477)	
Proceeds of sales from property, plant and equipment	8,500		13,499	
Acquisition of subsidiary, net of cash acquired	-		(448,710)	
Interest received	67		397	
		(93,228)		(540,601)
		452,955		318,875
FINANCING ACTIVITIES				
Repayment of bank borrowings	(216,337)		(335,809)	
Invoice discounting finance (net movement)	(10,517)		293,921	
Interest paid	(60,325)		(100,040)	
Dividend paid to equity shareholders	(158,991)		(169,304)	
		(446,170)		(311,232)
INCREASE IN CASH AND CASH EQUIVALENTS		6,785		7,643

The notes on pages 16 to 44 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31st March 2009 (continued)

Cash and cash equivalents comprise:

	2009 £	2008 £
Net increase in cash and cash equivalents	6,785	7,643
Cash and cash equivalents at beginning of year	(463,531)	(471,174)
Exchange gains on cash and cash equivalents	5,262	-
Cash and cash equivalents at end of year	(451,484)	(463,531)

There were no significant non-cash transactions.

	2009 £	2008 £
Cash available on demand	216,796	340,190
Overdrafts	(668,280)	(803,721)
	(451,484)	(463,531)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009

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 1985 applicable to companies preparing their accounts under IFRSs. This is mandatory for accounting periods beginning on or after 1st January 2007.

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.

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 income statement 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, plus any direct costs of acquisition.

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

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 (ie 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 income statement, 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 2009 (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 income statement. Software is amortised over its useful economic life of 5 years, and UN licences are amortised over their expected useful life of 10 years from the date of original grant.

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.

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. The corresponding liability is recognised within provisions.

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

Depreciation is provided on all UN licences to write off the carrying value of each licence over its expected useful life, which is generally 10 years from its original grant.

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 income statement on a straight-line basis over the lease term.

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

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

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 translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling at the balance sheet date. Exchange differences arising on retranslation of the net assets and results of the overseas operations are recognised directly in the “foreign exchange reserve”.

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 sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able 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 income statement.

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

None of the development costs during the years ended 31st March 2008 and 31st March 2009 met the conditions necessary for capitalisation.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (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 balance sheet at fair value with changes in fair value recognised in the income statement. 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 balance sheet at fair value with changes in fair value recognised in the income statement.

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 balance sheet. "Interest expense" in this context includes initial transaction costs and premia payable on redemption, as well as any interest while the liability is outstanding.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (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 income statement 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. 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 income statement over the remaining vesting period.

Standards, 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 2009 or later periods and which the Group has decided not to adopt early. These are:

- *IFRS 8, Operating Segments* (effective for accounting periods beginning on or after 1st January 2009). This standard sets out requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It replaces IAS 14, Segmental Reporting. The Group expects to apply this standard in the accounting period beginning on 1 April 2009. As this is a disclosure standard it will not have any impact on the results or net assets of the Group.
- *Amendment to IFRS 2, Share-based payments: vesting conditions and cancellations* (effective for accounting periods beginning on or after 1st January 2009). Management is currently assessing the impact of the Amendment on the accounts.
- *Amendment to IAS 1, Presentation of financial statements: a revised presentation* (effective for accounting periods beginning on or after 1st January 2009). The revised IAS 1 introduces a single "statement of comprehensive income" incorporating both the profits and losses that have traditionally been reported in the income statement and other gains and losses that are currently reported in the Statement of Recognised Income and Expense or the Statement of Changes in Equity. As this is a disclosure standard it will not have any impact on the results or net assets of the Group.
- *Revised IFRS 3, Business Combinations and complementary Amendments to IAS 27, 'Consolidated and separate financial statements* (both effective for accounting periods beginning on or after 1st July 2009). The revised IFRS 3 and amendments to IAS 27 arise from a joint project with the Financial Accounting Standards Board (FASB), the US standards setter, and result in IFRS being largely converged with the related, recently issued, US requirements. There are certain very significant changes to the requirements of IFRS, and options available, if accounting for business combinations. Management is currently assessing the impact of revised IFRS 3 and amendments to IAS 27 on the accounts.
- *IFRIC 12 'Service concession arrangements', IFRIC 13 'Customer loyalty programmes', IFRIC 15 'Agreements for the Construction of Real Estate, IFRIC 16 'Hedges of a Net Investment in a Foreign Operation, IFRIC17 'Distribution of Non-cost Assets to Owners', IFRIC 18 'Transfer of Assets from Customers', IFRC 14 'IAS 19 – The limit on a defined benefit asset, minimum funding, requirements and their interaction', Amendment to IAS 23 'Borrowing and Amendments to IAS 32 and IAS 1 'Puttable Financial Instruments and Obligations Arising on Liquidation'* will not have a material impact on the financial statements of the Group.
- *Improvements to IFRS* (effective for accounting periods beginning on or after 1st July 2009). This improvements project is still to be endorsed by the European Union (EU). The amendments take various forms, including the clarification of the requirements of IFRS, the elimination of inconsistencies between Standards and a restructuring of IFRS 1 First-time Adoption of IFRS. Amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly–Controlled Entity or Associate (effective for accounting periods beginning on or after 1st January 2009). These amendments are still to be endorsed by the EU.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2009 (continued)

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Standards, amendments and interpretations to published standards not yet effective (continued)

Improvements to IFRS (continued) The amendments permit the entity at its date of transition to IFRSs in its separate financial statements to use a deemed cost to account for its investment in subsidiary, jointly-controlled entity or associate. The deemed cost of such investment could be either the fair value of the investment at the date of transition, which would be determined in accordance with IAS 39 Financial instruments: Recognition and Measurement or; the carrying amount of the investment under the previous GAAP at the date of transition. These changes would have no material effect on the financial statements of the Group.

- *IAS 23, Borrowing Costs (revised)* (effective for accounting periods beginning on or after 1st January 2009). The revised IAS 23 is still to be endorsed by the EU. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to qualifying assets, broadly being assets that take a substantial period of time to get ready for use or sale. This revision will have no material impact on the financial statements of the Group.
- *Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidations* (effective for accounting periods beginning on or after 1st January 2009). This amendment is still to be endorsed by the EU. The amendments result in certain types of financial instrument that meet the definition of a liability, but represent the residual interest in the net assets of the entity, being classified as equity. These amendments will have no material impact on the financial statements of the Group.
- *Amendments to IAS 27 Consolidated and Separate Financial Statements* (effective for accounting periods beginning on or after 1st July 2009). The revised IAS27 relates in particular to acquisitions of subsidiaries achieved in stages and disposals of interests, with significant differences in the accounting depending on whether control is gained or not, or a transaction simply results in a change in the percentage of the controlling interest. The Amendment does not require the restatement of previous transactions. The Amendment must be adopted at the same time as IFRS3 Revised.
- *Amendments to IAS39 and IFRS7 Declaration of Financial Instruments* (effective for accounting periods beginning on or after 1st July 2008). The Amendment permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The Amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not be designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. A further Amendment issued in November 2008 clarifies the effective date and transitional arrangements of the above Amendment. This revision will have no material impact on the financial statements of the Group.

  Amendment to IAS39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for accounting periods beginning on or after 1st July 2009). This Amendment clarifies how principles that determine whether a hedged risk or portion of cash flow is eligible for designation should be applied in the designation of a one-sided risk in a hedged item, and inflation in a financial hedged item. This statement will have no material impact on the financial statements of the Group.
- *Amendment to IFRIC9 and IAS39 Embedded Derivatives* (effective for accounting periods beginning on or after 30th June 2009). The Amendment clarifies the treatment of embedded derivatives in host contracts that are reclassified out of fair value through profit or loss following the changes introduced by the Amendment to IAS 39 and IFRS7: Reclassification of Financial Instruments. This statement will have no material impact on the financial statements of the Group.
- *Amendment to IFRS7 Improving Disclosures about Financial Instruments* (effective for accounting periods beginning on or after 1st January 2009). The Amendment requires the analysis of each class of financial asset and financial liability into a three level fair value measurement hierarchy. It requires additional disclosures in respect of those financial instruments classified as Level Three (namely those that are measured using a valuation technique which uses inputs that are not based on observable market data). It also implements some changes to the definition of and disclosure associated with liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Critical Accounting Judgements and Estimates
The Group's principal accounting policies are set out above. Management is required to exercise significant judgement and make use of estimates and assumptions in the application of these policies. Areas which Management believes require the most critical accounting judgements are:

Impairment of receivables
At each balance sheet date, each subsidiary evaluates the collectability of trade receivables and records provisions for impairment based on experience including, for example, comparisons of the relative age of accounts and consideration of actual write-off history. The actual level of debt collected may differ from the estimated levels of recovery, which could impact on operating results positively or negatively.

Inventory provisions
At each balance sheet date, each subsidiary evaluates the recoverability of inventories and records provisions against these based on an assessment of net realisable values. The actual net realisable value of inventory may differ from the estimated realisable values, which could impact on operating results positively or negatively.

Impairment of intangible assets
In line with IAS 36 the Group is required to test the carrying value of goodwill, at least annually, for impairment. As part of this review process the recoverable amount of goodwill is determined using value in use calculations, which requires estimates for future cash flows and as such is subject to estimates and assumptions. Further details are contained in note 13 of the financial statements.

Development costs
The Group is engaged in the development of new products and processes the costs of which are capitalised as intangible assets or tangible fixed assets if, in the opinion of Management, there is a reasonable expectation of economic benefits being achieved. The factors considered in making these judgements include the likelihood of future orders and the anticipated volumes, margins and duration associated with these. In the years under review no development costs were capitalised or there were no projects where there were expected to be future economic benefits due to uncertainty as to the markets for new products

Selection of depreciation and amortisation rates
The rates of depreciation on tangible fixed assets and of amortisation of intangible fixed assets other than goodwill are reviewed annually in the light of expected useful lives and any expected proceeds of sale.

Share based payment
The rate at which the fair value of share options is charged to the consolidated income statement is reviewed annually in the light of the performance of the shares and any changes in expectation as to when the share options might be exercised.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

2. REVENUE

Revenue arises from:

	2009 £	2008 £
Sale of goods	12,487,364	10,688,925
Provision of services	34,422	35,408
	12,521,786	10,724,333

3. PROFIT FROM OPERATIONS

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

	2009 £	2008 £
Staff costs (see note 4)	1,961,019	1,844,172
Employment termination costs (included in staff costs)	16,559	57,863
Depreciation of property, plant and equipment	89,235	107,794
Amortisation of computer software	7,567	641
Loss on disposal of property, plant and equipment	3,346	579
Goodwill impairment charge	-	-
Auditors' remuneration:		
Audit services	37,273	38,670
Operating lease rentals:		
Plant and machinery	23,423	24,724
Other	100,473	108,140
Research and development costs	154,348	94,422
Foreign exchange differences	(238,397)	(155,408)

Included in audit fees is an amount of £1,000 (2008: £1,000) in respect of the Company.

The foreign exchange differences have been treated as a reduction in cost of sales rather than as a negative overhead. A corresponding adjustment has been made to the comparative figures.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

4. STAFF COSTS

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

	2009 £	2008 £
Wages and salaries	1,768,479	1,663,748
Social security costs	192,540	180,424
Other pension costs	-	-
	1,961,019	1,844,172

Wages and salaries include termination costs of £16,559 (2008: £57,863)

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

	2009 Number	2008 Number
Selling and distribution	26	25
Manufacturing	14	15
Management and administration	25	22
	65	62

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (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**	**Share based payments**	**Total**
	£	£	£	£	£	£	£
31st March 2009							
Executive Directors							
W G Marsh	12,000	-	4,000	16,000	-	-	16,000
G S Marsh	109,000	-	9,000	118,000	-	6,000	124,000
J M Lavery	102,000	-	16,000	118,000	-	6,000	124,000
Non-executive Directors							
P Haining	-	12,000	-	12,000	-	-	12,000
L C A Newnham	-	12,000	-	12,000	-	-	12,000
G L Comben	5,000	-	2,000	7,000	-	-	7,000
Total	228,000	24,000	31,000	283,000	-	12,000	295,000
31st March 2008							
Executive Directors							
W G Marsh	12,000	-	4,000	16,000	-	-	16,000
G S Marsh	95,000	-	11,000	106,000	-	5,000	111,000
J M Lavery	85,000	-	16,000	101,000	-	5,000	106,000
Non-executive Directors							
P Haining	-	12,000	-	12,000	-	-	12,000
L C A Newnham	-	12,000	-	12,000	-	-	12,000
Total	192,000	24,000	31,000	247,000	-	10,000	257,000

The executive Directors waived their entitlement to emoluments during the year as follows:

	2009	**2008**
	£	**£**
W G Marsh	24,000	24,000

The principal benefits in kind relate to the provision of company cars.

In addition to the above, fees totalling £52,655 (2008: £47,825) arose during the year in respect of accountancy services provided by The Kings Mill Partnership, a firm of which P Haining is a partner. A balance of £8,369 (2008: £9,470) was due to The Kings Mill Partnership at 31st March 2009. The fees for the year ended 31st March 2008 included £2,300 which relates to the purchase of RZ Pressure Instruments Supply SARL. These costs have been capitalised in investments in the Company and added to the goodwill on consolidation.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

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

The three executive Directors have service contracts with the Company which are terminable by the Company, or the relevant Director, on one year's notice.

The Directors of the Company on 3rd August 2009 and at the balance sheet date, and their interest in the issued ordinary share capital of the Company at that date, at 31st March 2009 and 31st March 2008 or date of appointment if later, were as follows:

	03.08.09	**31.03.09**	**31.03.08**
G L Comben	2,742,606	2,742,606	2,742,606
W G Marsh	1,700,500	1,700,500	1,700,500
G S Marsh	73,472	73,472	73,420
J M Lavery	607	607	569
P Haining	12,500	12,500	12,500
L C A Newnham	10,000	10,000	10,000

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

	Options held at 01.04.08	**Lapsed**	**Granted**	**Options held at 31.03.09**	**Exercise price**	**Date of grant**	**Exercise period**
G S Marsh	317,460	-	-	317,460	31.5p	22.01.08	Jan 2009 onwards
J M Lavery	317,460	-	-	317,460	31.5p	22.01.08	Jan 2009 onwards

The market price of the shares at 31st March 2009 was 17.5p (2008: 28.5p), with a quoted range during the year of 16.5p to 28.5p. No director exercised any share options during the year, or in the prior year.

6. FINANCE INCOME

	2009	**2008**
	£	**£**
Interest receivable	67	97
Government electronic filing incentives	-	300
	67	397

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

7. FINANCE COSTS

	2009 £	2008 £
Bank borrowings	35,796	71,756
Invoice discounting interest	24,529	21,283
Other interest	-	7,001
	60,325	100,040

8. TAX EXPENSE

	2009 £	2008 £
UK corporation tax and income tax of overseas operations on profits or losses for the year	128,670	93,875
Adjustment in respect of prior periods	-	(2,513)
	128,670	91,362

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:

	2009 £	2008 £
Profit before tax	614,501	424,442
Expected tax charge based on the standard rate of corporation tax in the UK of 28% (2008 – 30%)	172,060	127,333
Effect of:		
Expenses not deductible for tax purposes	11,947	6,597
Deductible expenses not charged in Group accounts	(9,649)	(9,738)
Difference between depreciation for the year and capital allowances	(7,233)	1,370
Utilisation of tax losses	(3,391)	(5,085)
Marginal relief	(8,902)	(3,758)
Enhanced relief on research and development expenditure	(21,609)	(14,164)
Non-taxable government incentive received	(28)	(90)
Different tax rates and rules applied in overseas jurisdictions	(4,525)	(8,590)
Adjustment to enhanced relief on research and development expenditure in prior year	-	(2,513)
	128,670	91,362

Deferred tax has not been provided as it is not material.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

9. EARNINGS PER SHARE

The earnings per share is based on the following:

	2009 £	2008 £
Earnings	485,831	330,080
Weighted average number of shares	6,156,511	6,156,511
Diluted number of shares	6,156,511	6,156,511
Earnings per share	7.9p	5.4p
Diluted earnings per share	7.9p	5.4p

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 6,156,511 (2008: 6,156,511).

The Diluted earnings per share is based on 6,156,511 (2008: 6,156,511) ordinary shares which allow for the exercise of all dilutive potential ordinary shares.

Certain employee options have not been included in the calculation of diluted EPS because their exercise is contingent on the satisfaction of certain criteria that had not been met at the end of the year. In addition, certain employee options have also been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted average share price during the year (ie they are out-of-the-money) and therefore it would not be advantageous for the holders to exercise the options.

The number of shares included in the option agreement which have not been included in the calculation of the weighted average number of shares was 634,920 (2008: 380,231).

10. DIVIDENDS

	2009 £	2008 £
Final dividend paid for the prior year of 1.25p per share (2008: 2p)	76,957	123,130
Interim dividend paid of 1p per share (2008: 0.75p)	61,565	46,174
	138,522	169,304
Final dividend proposed for the year 2p per share (2008: 1.25p)	123,130	76,956

The proposed final dividend has not been accrued for as the dividend was declared after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

11. TANGIBLE FIXED ASSETS

	Short leasehold property improvements £	Motor vehicles £	Fittings equipment and computers £	Total £
Year ended 31st March 2008				
Cost				
1st April 2007	255,176	258,994	843,130	1,357,300
Additions	-	57,076	10,234	67,310
Acquisition of subsidiary	-	-	256	256
Disposals	-	(36,829)	(256)	(37,085)
31st March 2008	255,176	279,241	853,364	1,387,781
Depreciation				
1st April 2007	237,983	65,365	711,114	1,014,462
Charge for the year	17,193	51,967	38,634	107,794
On disposal	-	(23,009)	-	(23,009)
31st March 2008	255,176	94,323	749,748	1,099,247
Net book value				
31st March 2008	-	184,918	103,616	288,534
31st March 2007	17,193	193,629	132,016	342,838
Year ended 31st March 2009				
Cost				
1st April 2008	255,176	279,241	853,364	1,387,781
Additions		56,546	45,249	101,795
Disposals	-	(26,204)	-	(26,204)
31st March 2009	255,176	309,583	898,613	1,463,372
Depreciation				
1st April 2008	255,176	94,323	749,748	1,099,247
Charge for the year	-	50,353	38,882	89,235
On disposal	-	(14,358)	-	(14,358)
31st March 2009	255,176	130,318	788,630	1,174,124
Net book value				
31st March 2009	-	179,265	109,983	289,248

There were no capital commitments at 31st March 2008 and 31st March 2009.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

12. INTANGIBLE ASSETS

Year ended 31st March 2008

	UN Licences £	Computer software £	Goodwill on consolidation £	Total £
Cost				
1st April 2007	-	-	1,660,878	1,660,878
Additions	9,800	38,477	331,859	380,136
31st March 2008	9,800	38,477	1,992,737	2,041,014
Amortisation				
1st April 2007	-	-	-	-
Charge for the year	-	641	-	641
31st March 2008	-	641	-	641
Net book value				
31st March 2008	9,800	37,836	1,992,737	2,040,373
31st March 2007	-	-	1,660,878	1,660,878

Year ended 31st March 2009

	UN Licences £	Computer software £	Goodwill on consolidation £	Total £
Cost				
1st April 2008 and 31st March 2009	9,800	38,477	1,992,737	2,041,014
Amortisation				
1st April 2008	-	641	-	641
Charge for the year	-	7,567	-	7,567
31st March 2009	-	8,208	-	8,208
Net book value				
31st March 2009	9,800	30,269	1,992,737	2,032,806

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

13. GOODWILL AND IMPAIRMENT

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

	Goodwill carrying amount	
	2009	**2008**
	£	**£**
Steatite Limited	893,214	893,214
Wordsworth Technology Limited	1,099,523	1,099,523
	1,992,737	1,992,737

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% (2008: 19%) has been used based on the working average cost of capital and a future growth rate of 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 discount rate was based on the group's "beta" which is a measure of the volatility of the share price against the market. This amounts to 0.84 (2008: 0.94).

The recoverable amount exceeds the carrying amount by £2,048,000 (2008: £863,000). 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 2.25% to 1.75%

14. SUBSIDIARIES

The principal subsidiaries of Solid State PLC, all of 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
Wordsworth Technology Limited	Great Britain	100%	Distribution of industrial computing equipment and manufacture of electronic equipment
RZ Pressure Instruments Supply SARL	Switzerland	100%	Dormant
SSS Highway Technologies Limited	Great Britain	100%	Dormant

In all cases, except for RZ Pressure Instruments Supply SARL, the country of operation and of incorporation or registration is England.

With effect from 1st April 2009 the trade of Wordsworth Technology Limited has been transferred to Steatite Limited and the company has become dormant.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

15. INVENTORIES

	2009 £	2008 £
Finished goods and goods for resale	1,408,602	1,324,017
Work in progress	145,427	238,815
	1,554,029	1,562,832

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

16. TRADE AND OTHER RECEIVABLES

	2009 £	2008 £
Trade receivables	2,115,226	1,965,616
Other receivables	2,232	13,676
Prepayments	102,416	64,577
	2,219,874	2,043,869

Group trade receivables include £1,016,697 (2008: £1,082,559) which are subject to an invoice discounting agreement. Under this agreement, borrowing equal to 85% of the relevant book debts can be taken with interest charged at 1.35% over bank base rate and an administration fee of 0.175% of the gross value of debts per month. At 31st March 2009 borrowing under the agreement of £864,191 (2008: £920,175) was available of which £712,039 (2008: £722,556) was taken up leaving unused borrowing facilities of £152,152 (2008: £197,619). Interest charges in the year amounted to £24,529 (2008: £21,283) and administration fees to £16,114 (2008: £12,400).

17. TRADE AND OTHER PAYABLES

	2009 £	2008 £
Trade payables	1,456,699	1,416,357
Other taxes and social security taxes	244,207	258,797
Other payables	685	38,204
Accruals	135,460	90,890
Dividends payable	1,717	22,186
	1,838,768	1,826,434

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

18. BANK BORROWINGS

	2009 £	2008 £
Bank loans (secured)	-	216,337
Amounts due to invoice discounters	712,039	722,556
	712,039	938,893

The bank loan and overdraft are secured by a fixed and floating charge over the assets of the Company and the Group. At the balance sheet date, the Group had an undrawn overdraft facility of £nil (2008: £nil).

There were two bank loans. The first was for £750,000 taken out in May 2002 and repayable by instalments over seven years. The second loan was for £500,000 taken out in August 2005 and repayable by instalments over three years. The loans were secured by a fixed and floating charge over the assets of the Company and the Group. Both loans were fully repaid by 31st March 2009.

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 below:

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (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 balance sheet as shown in note 16 and in the balance sheet. The amount of the exposure shown in note 16 is stated net of provisions for doubtful debts.

The credit risk on liquid funds is low as the funds are held at banks with 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.

Foreign exchange translation risk arises on translation of the balance sheets of Group operations whose functional currency is different to that of the Group as a whole. The predominant area where this risk applies is US dollars and Swiss francs.

Liquidity risk
The Group operates a Group overdraft facility common to all its trading companies and invoice discounting is used on some sales to customers meaning that the UK business can receive immediate payment on its sales.

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 maximum exposure to credit risk at the reporting date was:

	Loans and Receivables	
	2009	**2008**
	£	**£**
Current financial assets		
Trade and other receivables	2,219,874	2,043,869
Cash and cash equivalents	216,796	340,190
	2,436,670	2,384,059

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

19. FINANCIAL INSTRUMENTS (continued)

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

	Carrying value	
	2009	**2008**
	£	**£**
UK	1,998,256	1,879,272
Non UK	116,970	164,597
	2,115,226	2,043,869

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 £28,000 which represented less than 0.22% of revenue. This provision is included within the management and administration costs in the Consolidated Income Statement.

Trade receivables ageing by geographical segment

Geographical area	**Total**	**Current**	**30 days past due**	**60 days past due**	**90 days past due**
	£	**£**	**£**	**£**	**£**
2009					
UK	2,090,397	1,815,974	226,493	42,394	5,536
Non UK	116,970	107,921	9,017	-	32
Total	2,207,367	1,923,895	235,510	42,394	5,568
Less: Provisions	(92,141)	-	(44,179)	(42,394)	(5,568)
Total	2,115,226	1,923,895	191,331	-	-
2008					
UK	2,010,736	1,818,335	115,833	7,000	69,568
Non UK	164,597	100,944	63,490	-	163
Total	2,175,333	1,919,279	179,323	7,000	69,731
Less: Provisions	(131,464)	-	(54,733)	(7,000)	(69,731)
Total	2,043,869	1,919,279	125,490	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (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:

	2009 £	2008 £
Opening balance	131,464	119,482
Increases in provisions	28,000	38,000
Written off against provisions	(57,323)	(26,018)
	102,141	131,464

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 above table, at 31st March 2009 trade receivables of £191,331 which were past their due date were not impaired (2008: £125,490). All of these were less than 60 days past their due date.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

19. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

	Financial liabilities measured at amortised cost	
	2009	**2008**
	£	**£**
Current financial liabilities		
Trade and other payables	1,838,768	1,826,434
Bank borrowings	712,039	938,893
Bank overdraft	668,280	803,721
	3,219,087	3,569,048
Non current financial liabilities		
Loans and borrowings	-	-

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
2009					
Secured bank loans	-	-	-	-	-
Bank overdrafts	668,280	668,280	668,280	-	-
Amounts due to invoice discounters	712,039	712,039	712,039	-	-
Trade and other payables	1,973,388	1,973,388	1,838,768	134,620	-
	3,353,707	3,353,707	3,219,087	134,620	-
2008					
Secured bank loans	216,337	227,803	162,329	65,474	-
Bank overdrafts	803,721	803,721	803,721	-	-
Amounts due to invoice discounters	722,556	722,556	722,556	-	-
Trade and other payables	1,933,305	1,933,305	1,826,434	106,871	-
	3,675,919	3,687,385	3,515,040	172,345	-

Interest rate risk
The Group finances its business through a mixture of bank overdrafts, bank and other loans and invoice discounting facilities. During the year the Group utilised these facilities at floating rates of interest.

The Group bank loan with HSBC plc incurs interest at the rate of 1.3% over the HSBC's base rate and bank overdraft with HSBC plc incurs interest at the rate of 1.3% over the HSBC's base rate. The Group is affected by changes in the UK interest rate.

Details of interest payable under the invoice discounting agreement are stated in Note 16.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

19. FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)
The US Dollar overdraft facility bears the interest rate of 1.3% over the HSBC's US dollar base 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 HSBC base rate had been 1% higher throughout the year the level of interest payable would have been £11,579 (2008: £14,630) higher and if 1% lower throughout the year the level of interest payable would have been lower by the same amount.

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 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 balance sheet date.

The following table shows the net liabilities exposed to exchange rate risk that the Group has at 31st March 2009:

	2009	**2008**
	£	**£**
Trade receivables	677,047	416,594
Cash and cash equivalents	85,843	157,272
Trade payables	(854,922)	(593,252)
	(92,032)	(19,386)

There were also net liabilities of £19,832 in euros (2008: £34,074) and net liabilities of £Nil in Swiss francs. (2008: £8,109).

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. Details of those outstanding at the balance sheet date are given below.

The effect of a strengthening of 10% in the rate of exchange in the currencies against sterling at the balance sheet date would have resulted in an estimated net decrease in pre-tax profit for the year and a decrease in net assets of approximately £11,200 (2008: £6,800) and the effect of a weakening of 10% in the rate of exchange in the currencies against sterling at the balance sheet date would have resulted in an estimated net increase in pre-tax profit for the year and an increase in net assets of approximately £11,200 (2008: £6,200).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

19. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)
At 31st March 2008 the Group had entered into agreement with its bankers to purchase US dollars as follows:

	$	Rate
1st April 2008	100,000	2.0055
15th April 2008	300,000	1.97
1st May 2008	100,000	2.00-2.05
15th May 2008	50,000	1.9985
2nd June 2008	100,000	2.00-2.05
16th June 2008	50,000	1.9930

At 31st March 2009 the Group had entered into agreement with its bankers to purchase US dollars as follows:

	$	Rate
1st April 2009	200,000	1.40
9th April 2009	250,000	1.42
9th April 2009	100,000	1.4515
1st May 2009	250,000	1.42
1st May 2009	100,000	1.4515

Applying the actual exchange rate at the balance sheet date to these agreements gives rise to a liability of £421 at 31st March 2009 (2008: £1,396). In view of the immaterial nature of these amounts, no adjustment has been made in the financial statements.

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 2009 is shown below:

	2009 £	2008 £
Cash and cash equivalents	(216,796)	(340,190)
Bank overdrafts	668,280	803,721
Bank loans	-	216,337
Invoice discounting advance	712,039	722,556
	1,163,523	1,402,424
Share capital	307,826	307,826
Share premium account	756,980	756,980
Retained earnings	1,837,390	1,477,535
Capital redemption reserve	4,674	4,674
Foreign exchange reserve	58,126	52,864
	2,964,996	2,599,879
Gearing ratio	0.282	0.278

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

20. SHARE CAPITAL

	2009 £	2008 £
Authorised		
9,000,000 ordinary shares of 5p each	450,000	450,000
Allotted issued and fully paid		
6,156,511 ordinary shares of 5p each	307,826	307,826

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 2009 the number of shares covered by option agreements amounted to 634,920 (2008: 634,920).

No options were exercised in the year (2008: nil).

21. RESERVES

Full details of movements in reserves are set out in the consolidated statement of changes in equity on page 12.

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.
Foreign exchange	Gains/losses from the retranslation of net assets of overseas operations into sterling
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.

22. LEASING COMMITMENTS

At 31st March 2009 the Group had future commitments under operating leases as follows:

	2009 £	2008 £
Group Buildings:		
Leases expiring in less than one year	46,933	46,933
Leases expiring in one to five years	100,833	105,000
Plant and machinery:		
Leases expiring in less than one year	888	9,117
Leases expiring in one to five years	31,126	6,264
Leases expiring in more than five years	20,816	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

23. SHARE BASED PAYMENT

The Group operates an approved Enterprise Management Incentive Scheme whereby Mr G S Marsh and Mr J M Lavery have been granted options to purchase shares in Solid State PLC at a subscription price which was not less than the market value at the time the option was granted. The options in place at 31st March 2009 all have an exercise period of any time after one year from the date of the grant subject to the Group share price having equalled or exceeded 50p per share at the close of business on 20 consecutive business days.

None of the options have been exercised since the scheme was put into place. Details of the current options are stated in Note 5.

The share-based remuneration expenses amounted to £12,546 for the year (2008: £9,753).

The following information is relevant to the determination of the fair value of the options.

	2008 and 2009
Equity settled share based payments	
Option pricing model used	Binominal Tree
Weighted average share price at grant date	31.5p
Exercise price	31.5p
Weighted average contractual life	1.2 years
Expected volatility	78.52%
Expected dividend growth rate	-
Risk free interest rate	4.31%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the twelve months prior to the date of the grant.

The market vesting conditions have been factored into the calculation by applying an appropriate discount to the fair value of equivalent share options without the specified vesting conditions.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

24. 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 includes Solid State Supplies Limited and the manufacturing division includes Wordsworth Technology Limited and Steatite Limited which incorporates RZ Pressure.

Year ended 31st March 2009

	Distribution division £	**Manufacturing division £**	**Head office £**	**Total £**
Revenue				
External	3,642,911	8,878,875	-	12,521,786
Intercompany	-	96,789	-	96,789
	3,642,911	8,975,664	-	12,618,575
Profit/(loss) before tax	58,827	787,936	(207,000)	639,763
Balance sheet				
Assets	1,739,736	4,593,017	-	6,332,753
Liabilities	(2,117,902)	(1,217,921)	(17,884)	(3,353,707)
Net assets/(liabilities)	(378,166)	3,375,096	(17,884)	2,979,046
Other				
Capital expenditure				
- Tangible fixed assets	44,812	56,983	-	101,795
- Intangible fixed assets	-	-	-	-
Depreciation, amortisation and other non cash expenses	48,108	80,040	-	128,148

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

24. SEGMENT INFORMATION (continued)

Year ended 31st March 2008

	Distribution division £	Manufacturing division £	Head office £	Total £
Revenue				
External	3,545,594	7,178,739	-	10,724,333
Intercompany	-	142,335	-	142,335
	3,545,594	7,321,074	-	10,866,668
Profit/(loss) before tax	(78,374)	715,816	(213,000)	424,442
Balance sheet				
Assets	1,605,438	4,670,360	-	6,275,798
Liabilities	(1,880,237)	(1,502,307)	(293,375)	(3,675,919)
Net assets/(liabilities)	(274,799)	3,168,053	(293,375)	2,599,879
Other				
Capital expenditure				
- Tangible fixed assets	10,234	57,076	-	67,310
- Intangible fixed assets	38,477	341,659	-	380,136
Depreciation, amortisation and other non cash expenses	58,432	88,582	-	147,014

The Group's secondary reporting format for reporting segment information is geographic segments.

	External revenue by location of customer		Total assets by location of assets		Net tangible capital expenditure by location of assets	
	2009 £	2008 £	2009 £	2008 £	2009 £	2008 £
United Kingdom	11,397,659	9,951,944	6,215,887	6,159,228	93,295	53,811
Europe	747,966	561,843	116,866	116,570	-	-
North America	119,234	100,175	-	-	-	-
Asia	148,332	92,002	-	-	-	-
Africa	92,076	12,589	-	-	-	-
Australasia	14,302	5,780	-	-	-	-
South America	2,217	-	-	-	-	-
	12,521,786	10,724,333	6,332,753	6,275,798	93,295	53,811

All the above relate to continuing operations.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

25. ACQUISITIONS DURING THE PERIOD

On 3rd November 2007 the Group acquired 100% of the voting equity instruments of RZ Pressure Instruments Supply SARL, a company incorporated in Switzerland whose principal activity was the manufacture and supply of industrial batteries. During December 2007 the business was transferred to Redditch where it is now operating as a division of Steatite Limited.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	£
Fair value of assets acquired	
UN licences	9,800
Property, plant and equipment	256
Inventories	20,371
Receivables	120,000
Cash	176,009
Payables	(21,521)
Tax liabilities	(12,055)
	292,860
Consideration paid	
Cash	577,048
Cost of acquisition	47,671
	624,719
Goodwill	331,859

At 31st March 2009, none of the cash consideration remained outstanding (2008: £37,511).

In all cases, apart from the UN licences, which were not recognised in the company records, the book value of assets and liabilities was the same as the fair values.

The main factors leading to the recognition of goodwill are the anticipated synergistic cost savings resulting from the amalgamation of the business with the battery division of Steatite Limited.

Since the acquisition date, RZ Pressure Instruments Supply SARL has contributed £4,265 to Group profit. It has not been practical to quantify the effect on Group profit if the acquisition date had been 1st April 2007 or the revenue of the combined entity on the same basis as the company did not have 31st March as an accounting reference date and did not produce periodic management accounts which could be used for this purpose.

COMPANY BALANCE SHEET
at 31st March 2009

	Notes	2009 £	2009 £	2008 £	2008 £
FIXED ASSETS					
Investments	4		2,464,056		2,464,056
			2,464,056		2,464,056
CURRENT ASSETS					
Debtors	5	-		-	
		-		-	
CREDITORS: Amounts falling due within one year	6	998,736		860,214	
NET CURRENT LIABILITIES			(998,736)		(860,214)
NET ASSETS			1,465,320		1,603,842
CAPITAL AND RESERVES					
Called up share capital	7		307,826		307,826
Share premium account	8		756,980		756,980
Capital redemption reserve	8		4,674		4,674
Profit and loss account	8		395,840		534,362
SHAREHOLDERS' FUNDS			1,465,320		1,603,842

The financial statements were approved by the Board of Directors and authorised for issue on 3rd August 2009.

P Haining
Director

The notes on pages 46 to 49 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31st March 2009

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
The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost convention. The accounts have been prepared on the going concern basis.

Profit and loss account
Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account. The loss for the year ended 31st March 2009 is disclosed in Note 8.

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at closing rates of exchange.

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.

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 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. The 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.

2. STAFF COSTS

Staff costs amounted £12,546 (2008: £9,753) and comprised the share based payment expense. There were 4 employees (2008: 3), all of whom were executive directors and none of whom received any remuneration from the Company. No other remuneration was paid by the Company and the Directors receive their remuneration from subsidiary companies. Details of directors' emoluments are given in note 5 to the Group financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31st March 2009

3. SHARE BASED PAYMENT

The Group operates an approved Enterprise Management Incentive Scheme whereby Mr G S Marsh and Mr J M Lavery have been granted options to purchase shares in Solid State PLC at a subscription price which was not less than the market value at the time the option was granted. The options in place at 31st March 2009 all have an exercise period of any time after one year from the date of the grant subject to the Group share price having equalled or exceeded 50p per share at the close of business on 20 consecutive business days.

None of the options have been exercised since the scheme was put into place. Details of the current options are stated in Note 5 of the consolidated financial statements.

The share-based remuneration expenses amounted to £12,546 for the year (2008: £9,753).

The following information is relevant to the determination of the fair value of the options.

	2008 and 2009
Equity settled share based payments	
Option pricing model used	Binominal Tree
Weighted average share price at grant date	31.5p
Exercise price	31.5p
Weighted average contractual life	1.2 years
Expected volatility	78.52%
Expected dividend growth rate	-
Risk free interest rate	4.31%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the twelve months prior to the date of the grant.

The market vesting conditions have been factored into the calculation by applying an appropriate discount to the fair value of equivalent share options without the specified vesting conditions.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

4. INVESTMENTS
Company

	Group undertakings £
Cost	
1st April 2008 and 31st March 2009	2,464,056
Net book value	
31st March 2009	2,464,056
31st March 2008	2,464,056

Subsidiary undertakings

The principal undertakings in which the Company's interest at the year end is 20% or more are as follows:

	Proportion of voting rights and Ordinary share capital held	Nature of business
Subsidiary undertakings		
Solid State Supplies Limited	100%	Distribution of electronic components
Steatite Limited	100%	Distribution of electronic components and manufacture of electronic equipment
Wordsworth Technology Limited	100%	Distribution of industrial computing equipment and manufacture of electronic equipment
RZ Pressure Instruments Supply SARL	100%	Dormant
SSS Highway Technologies Limited	100%	Dormant

In all cases the country of operation and of incorporation or registration is England apart from RZ Pressures Instruments Supply SARL which is incorporated in Switzerland.

With effect from 1st April 2009 the trade of Wordsworth Technology Limited has been transferred to Steatite Limited and the company has become dormant.

5. DEBTORS

	2009 £	2008 £
Amounts owed by Group undertakings	-	-

6. CREDITORS: Amounts falling due within one year

	2009 £	2008 £
Bank loans (secured)	-	216,337
Amounts owed to Group undertakings	997,019	584,180
Other creditors	1,717	59,697
	998,736	860,214

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31st March 2009 (continued)

6. CREDITORS: Amounts falling due within one year (continued)

The Company has guaranteed bank borrowings of its subsidiary undertakings, Solid State Supplies Limited, Steatite Limited and Wordsworth Technology Limited. At the year end the liabilities covered by those guarantees amounted to £567,637 (2008: £803,721). 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

	2009 £	2008 £
Authorised		
9,000,000 ordinary shares of 5p each	450,000	450,000
Allotted issued and fully paid		
6,156,511 ordinary shares of 5p each	307,826	307,826

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 of the Consolidated Accounts. At 31st March 2009 the number of shares covered by option agreements amounted to 634,920 (2008: 634,920).

No options were exercised in the year (2008: nil).

8. RESERVES

	Share premium account	Capital redemption reserve	Profit & loss account
1st April 2008	756,980	4,674	534,362
Loss for the year	-	-	(12,546)
	756,980	4,674	521,816
Add: Share based expense	-	-	12,546
	756,980	4,674	534,362
Dividend paid	-	-	(138,522)
31st March 2009	756,980	4,674	395,840

The loss for the year comprises the share based expense and the loss on disposal of a dormant subsidiary.

Overheads relating to the audit of the Company and to its listing on the London Stock Exchange are processed in the accounts of Solid State Supplies Limited.

The cumulative amount of goodwill which has been eliminated against reserves at 31st March 2009 is £30,000 (2008: £30,000).

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Solid State PLC will be held at Unit 2, Eastlands Lane, Paddock Wood, Kent TN12 6BU on 3rd September 2009 at 11.00am for the following purposes:

ORDINARY RESOLUTIONS

(1) To receive and adopt the accounts for the year ended 31st March 2009, together with the reports of the Directors and auditors thereon. (Resolution 1)

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

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

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

(5) To reappoint Gordon Leonard Comben, who has been appointed as a Director since the last annual general meeting, as a Director of the Company in accordance with the Company's Articles of Association (Resolution 5)

(6) To reappoint BDO Stoy Hayward LLP as auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

(7) To pass the following resolution:
That the Company is, pursuant to Section 166 of the Companies Act 1985, hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985) 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 which may be paid for the ordinary shares is £1.00 per ordinary share;
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 166;
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 7)

BY ORDER OF THE BOARD

P Haining FCA
Director
3rd August 2009

Registered office:
Unit 2, Eastlands Lane, Paddock Wood, Kent TN12 6BU

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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