Solid State plc

Annual Report & Accounts
31 March 2010

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Peter Haining, FCA, *Chairman* Lewis Cyril Ashby Newnham, *Deputy Chairman* Gary Stephen Marsh, *Chief Executive Officer* William George Marsh, *Director* John Michael Lavery, *Director* Gordon Leonard Comben, *Director* John Lawford Macmichael, *Director* Anthony Brian Frere, *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 131 Finsbury Pavement London EC2A 1NT
Broker:	Charles Stanley Securities 131 Finsbury Pavement London EC2A 1NT
Auditors:	Haysmacintyre Fairfax House 15 Fulwood Place London WC1V 6AY
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

Key Results

• **Turnover**	**£13.5m**	**(2009: £12.5m)**
• **Profit before tax**	**£530k**	**(2009: £615k)**
• **Earnings per share**	**6.6p**	**(2009: 7.9p)**
• **Cash generated from operations**	**£425k**	**(2009: £632k)**

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 2010 giving a total dividend in respect of the year of 3p per share (2009: 3p per share). The final dividend will be paid on 6th September 2010 to shareholders on the register at the close of business on 20th August 2010.

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

Solid State Supplies
Although sales from our component distribution business declined by 3.4% in FY09/10, the effects of the economic downturn were not as great as those felt by the market in general. Our industry association AFDEC reported a contraction in the DTAM (Distributor's Total Available Market) for the UK of 11.3% in 2009. We believe our strategy of focusing on specialist electronic components and the continued programme of new product introductions helped to insulate us from the worst of the recession. We are pleased to report gross margins improved in the second half of the year and closed at 27.3% (2009: 27.4%).

In the light of the contraction of the overall market we implemented a restructuring programme which we completed in the first quarter of the new financial year. We began to see an upturn in the market during the final quarter and our bookings at the close of this financial year were 5.4% up on the previous year. We start the new financial year with an increased order book 11.2% up on this time last year. Whilst the economic outlook remains uncertain these results coupled with the newly restructured business give us grounds for optimism as we start the new financial year.

Steatite
As a result of new product developments we achieved a very strong performance during the second half of the year and are very pleased to report sales for a whole of FY09/10 increased by 11.8%. Both the battery and industrial computer divisions performed well. Gross margins remained under pressure owing to the weakness of Sterling, with overall margins slipping by 0.9% compared to FY08/09. The strong bookings performance throughout the year has meant the open order book going into FY10/11 is some 76% up on the previous year. Our robust order book and potential for a number of significant new contracts together place us in a strong position as we enter the new fiscal year.

Summary
Despite the fall in profit before tax of 13.8%, the increase achieved in turnover of 7.9% and in gross profit of 3.7%, reflect a strong result in what has been a very difficult economic climate.

We completed our fourth acquisition with the purchase of Rugged Systems Limited at the beginning of April 2010. The addition of this company will strengthen significantly our computer business as we seek to become the UK's leading supplier of industrial computers.

Steatite has had a strong start to the new financial year and we believe that the restructuring undertaken at Solid State Supplies will return that division to profitability.

We believe that the Group is well placed to benefit from the current economic recovery and to achieve increases in turnover and profitability in the new financial year.

CHAIRMAN'S STATEMENT (continued)

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 4,525,113 Ordinary shares, representing 73.5% 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
28th July 2010

DIRECTORS' REPORT
For the year ended 31st March 2010

The Directors submit their report together with the audited financial statements of the Group in respect of the year ended 31st March 2010.

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

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

An overall review of the Group's trading performance and future developments is given in the Chairman's Statement.

The Directors consider the results for the year to be satisfactory in view of the decline in the UK economy. Group turnover increased by 7.8% and despite considerable pressure on gross profit margins during the economic recession and the weakness of sterling against the dollar throughout the period the Group gross profit margin declined but this decline was restricted to a fall from 28.1% to 27.0%. Trends in gross profit margins remain under close review by the board. The net profit before tax of £529,785 is lower than the corresponding figure of £614,501 in the prior year but the Directors believe this to be a sound result in what, at its start, was expected to be a difficult year.

The book to bill ratio had been 0.939 to 1 in the previous year and in the first three months of the year under review the turnover was 15.9% lower than in the previous year. The fact that turnover for the whole year was 7.8% higher than the previous year reflects the success in obtaining bookings during the year. At Steatite the book to bill ratio for the year under review was 1.19 : 1 and at Solid State Supplies 1.05 : 1, and this strong result has already been reflected in an increase in group turnover in the first quarter of the new financial year of 29.8% over the corresponding period last year and ignoring the turnover of Rugged Systems Limited which was acquired on 1st April 2010. Despite the strong turnover in the first quarter, the Directors are pleased to report that the group book to bill ratio this quarter has remained positive at 1.1 : 1.

The close scrutiny of group profit margins is reflected in the enhanced rates achieved at both Steatite and Solid State Supplies in the first quarter of the new financial year compared with the corresponding period last year. The newly acquired Rugged Systems Limited historically has fairly low gross profit margins but these too are being closely monitored and the Directors are confident that a satisfactory margin level will be achieved in the first year of trading as part of the Group.

Overheads increased in the year compared with the previous year, by 8.8%, mainly reflecting the increased scale of operations at Steatite. In the first quarter of the new financial year a review of costs at Solid State Supplies has been undertaken and cuts are being effected in overheads, in particular staff and premises costs, with a view to returning the distribution business undertaken by the Group to profitability. The results to date are encouraging.

The Directors are mindful of the forthcoming reductions in Government expenditure which will almost certainly result in significant reductions in military budgets. The Group has been successful in obtaining significant contracts in non-military products to mitigate the effect of defence spending reductions.

The Group has continued to invest in research and development activities at Redditch with expenditure of approximately £66,000 in the year, particularly in the area of industrial batteries. 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 Directors are pleased to note that the net tangible assets have increased by over £230,000 in the year.

DIRECTORS' REPORT
For the year ended 31st March 2010 (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 £20,000 which is approximately 0.15% 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 6th September 2010 to shareholders on the register at the close of business on 20th August 2010.

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

On 1st April 2010 J L Macmichael and A B Frere joined the board

Peter Haining FCA, (dob 05/09/1956), 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. 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, (dob 19/08/1937), 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.

Gary Marsh, (dob 27/04/1966), Chief Executive Officer
Gary Marsh joined the Company in 1986 having gained an HND in Business and Finance Studies. He has held various positions within the Group including that of Operations Director of Solid State Supplies prior to his appointment as its Managing Director in 1997. In addition to this role, Gary Marsh was appointed Group Managing Director in 2002 following the acquisition of Steatite. In 2010 following the acquisition of Rugged Systems Ltd he was appointed Chief Executive Officer of the Group.

DIRECTORS' REPORT
For the year ended 31st March 2010 (continued)

William Marsh, (dob 23/07/1937), Director
Educated at Kingston-upon-Thames Technical College, Bill Marsh started work at Hackbridge Transformers in 1954 as a Student Apprentice. In 1960, having gained an HNC qualification in electrical/electronic engineering he joined the Royal Air Force as an Air Radar Fitter. In 1962 he joined Hewittic Rectifiers where he worked as a Design Engineer and later as a Contracts Engineer. In 1968 Bill joined International Rectifier as an Area Sales Manager, rising to the position of General Sales Manager (Northern Europe). In 1974 he joined Solid State Supplies as Managing Director until he stepped down in 1997. Following a spell as Company Chairman he has continued to serve on the Board of Directors.

John Lavery, (dob 06/05/1961), Director
John Lavery is an apprenticed trained engineer in Electronics Communications. He moved into Sales in the 1980's with Steatite before being appointed to The Board of Directors at the age of 28.He has held positions of Director of Sales and Marketing after a years training with the Institute of Directors for Corporate Governance, before being appointed Managing Director of Steatite in 1999. He presently runs the operations of both Steatite and Wordsworth on behalf of Solid State plc.

John Macmichael, (dob 20/04/1961), Director
John Macmichael is an electronics and communications graduate whose career has encompassed design and development through applications engineering, sales, sales management and general business management. John has gained extensive management experience of multiple sales channels with distributors and OEMs both here in the UK and worldwide through his international sales management role whilst living in the USA. Formerly managing director of Breckenridge Technologies Limited John joined Solid State Supplies Limited in 2006 before being appointed managing director in April 2010.

Gordon Comben, (dob 09/09/1939), Non-executive Director
Gordon Comben trained as radio officer and after leaving the merchant navy worked in the electronics industry with Plessey, Texas Instruments, Philips and International Rectifier. In 1971 he founded Solid State Supplies and has been employed in various roles including Company Chairman. He is currently a Non-executive Director of the Company.

Tony Frere (dob 15/10/1947) Non-executive Director
Tony Frere has been in the Electronics Industry for 40 years, 30 of which serving the component distribution sector. Former directorships include Managing Director of DT Electronics and Nu Horizons Electronics. Currently a member of the Institute of Directors and sitting on the executive council of the ECSN (the electronic component supply network trade association).

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.

DIRECTORS' REPORT
For the year ended 31st March 2010 (continued)

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, W G Marsh and A B Frere, 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 G L Comben, A B Frere, 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.

Board of Directors
The Board consists of four executive Directors and four 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 3rd September 2009. This authority expires on 3rd March 2011.

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 2006.

DIRECTORS' REPORT
For the year ended 31st March 2010 (continued)

The Directors are responsible for preparing the annual report and financial statements in accordance with the Companies Act 2006. 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.

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.

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 2010 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 56 days (2009: 47 days).

DIRECTORS' REPORT
For the year ended 31st March 2010 (continued)

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.

BDO Stoy Hayward LLP resigned as auditors on 7th October 2009. The Directors appointed Haysmacintyre to fill the casual vacancy. A resolution to reappoint Haysmacintyre as auditors will be proposed at the next annual general meeting.

By order of the Board
P Haining FCA
Secretary
28th July 2010

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 financial statements of Solid State PLC for the year ended 31st March 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom GAAP).

This report is made solely to the company's members, as a body, in accordance with Section 495 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on pages 7 and 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2010 and the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

David Cox *(Senior statutory auditor)*
for and on behalf of Haysmacintyre, Statutory Auditor
28th July 2010

Fairfax House
15 Fulwood Place
London
WC1V 6AY

CONSOLIDATED INCOME STATEMENT
For the year ended 31st March 2010

	Notes	2010 £	2009 £
Revenue	2	13,509,123	12,521,786
Cost of sales		(9,865,137)	(9,007,486)
GROSS PROFIT		3,643,986	3,514,300
Distribution costs		(1,331,452)	(1,204,574)
Administrative expenses		(1,760,052)	(1,634,967)
PROFIT FROM OPERATIONS	3	552,482	674,759
Finance income	6	-	67
Finance costs	7	(22,697)	(60,325)
PROFIT BEFORE TAXATION		529,785	614,501
Tax expense	8	(124,150)	(128,670)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		405,635	485,831
OTHER COMPREHENSIVE (EXPENSE)/INCOME		(3,000)	5,262
Translation differences on overseas operations			
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		402,635	491,093

	Notes	2010	2009
EARNINGS PER SHARE			
Basic	9	6.6p	7.9p
Diluted	9	6.6p	7.9p

The notes on pages 17 to 47 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31st March 2010

	Share Capital	Share Premium Reserve	Capital Redemption Reserve	Foreign Exchange Reserve	Retained Earnings	Total
Balance at 31st March 2008	307,826	756,980	4,674	52,864	1,477,535	2,599,879
Total comprehensive income For the year ended 31st March 2009	-	-	-	5,262	485,831	491,093
Share based payment expense	-	-	-	-	12,546	12,546
Dividends	-	-	-	-	(138,522)	(138,522)
Balance at 31st March 2009	307,826	756,980	4,674	58,126	1,837,390	2,964,996
Total comprehensive income For the year ended 31st March 2010	-	-	-	(3,000)	405,635	402,635
Share based payment expense	-	-	-	-	12,546	12,546
Dividends	-	-	-	-	(184,695)	(184,695)
Balance at 31st March 2010	307,826	756,980	4,674	55,126	2,070,876	3,195,482

The notes on pages 17 to 47 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
at 31st March 2010

	Notes	2010 £	2010 £	2009 £	2009 £
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	11		299,844		289,248
Intangible assets	12		2,028,946		2,032,806
TOTAL NON-CURRENT ASSETS			2,328,790		2,322,054
CURRENT ASSETS					
Inventories	15	1,787,520		1,554,029	
Trade and other receivables	16	2,562,387		2,219,874	
Cash and cash equivalents		343,835		216,796	
TOTAL CURRENT ASSETS			4,693,742		3,990,699
TOTAL ASSETS			7,022,532		6,312,753
LIABILITIES					
CURRENT LIABILITIES					
Bank overdraft		461,627		668,280	
Trade and other payables	17	2,172,882		1,838,768	
Bank borrowings	18	1,063,703		712,039	
Corporation tax liabilities		118,814		128,670	
TOTAL CURRENT LIABILITIES			3,817,026		3,347,757
NON CURRENT LIABILITIES					
Deferred tax liability	20	10,024		-	
TOTAL NON-CURRENT LIABILITIES			10,024		-
TOTAL LIABILITIES			3,827,050		3,347,757
TOTAL NET ASSETS			3,195,482		2,964,996
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
Share capital	21		307,826		307,826
Share premium reserve	22		756,980		756,980
Capital redemption reserve	22		4,674		4,674
Foreign exchange reserve	22		55,126		58,126
Retained earnings	22		2,070,876		1,837,390
TOTAL EQUITY			3,195,482		2,964,996

The financial statements were approved by the Board of Directors and authorised for issue on 28th July 2010 and were signed on its behalf by:

P. Haining
Director

The notes on pages 17 to 47 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31st March 2010

	2010		2009	
	£	£	£	£
OPERATING ACTIVITIES				
Profit before taxation		529,785		614,501
Adjustments for:				
Depreciation		88,929		89,235
Amortisation		7,695		7,567
Loss on disposal of property, plant and equipment		4,928		3,346
Share based payment expense		12,546		12,546
Finance income		-		(67)
Finance costs		22,697		60,325
Profit from operations before changes in working capital and provisions		666,580		787,453
(Increase)/decrease in inventories	(233,491)		8,803	
(Increase) in trade and other receivables	(342,513)		(176,005)	
Increase in trade and other payables	334,117		12,334	
		(241,887)		(154,868)
Cash generated from operations		424,693		632,585
Income taxes paid	(123,982)		(106,871)	
		(123,982)		(106,871)
Cash flow from operating activities		300,711		525,714
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(158,014)		(101,795)	
Purchase of computer software	(3,835)		-	
Proceeds of sales from property, plant and equipment	53,558		8,500	
Interest received	-		67	
		(108,291)		(93,228)
		192,420		432,486
FINANCING ACTIVITIES				
Repayment of bank borrowings	-		(216,337)	
Invoice discounting finance (net movement)	351,664		(10,517)	
Interest paid	(22,697)		(60,325)	
Dividend paid to equity shareholders	(184,695)		(138,522)	
		144,272		(425,701)
INCREASE IN CASH AND CASH EQUIVALENTS		336,692		6,785

The notes on pages 17 to 47 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31st March 2010 (continued)

Cash and cash equivalents comprise:

	2010 £	2009 £
Net increase in cash and cash equivalents	336,692	6,785
Cash and cash equivalents at beginning of year	(451,484)	(463,531)
Exchange gains on cash and cash equivalents	(3,000)	5,262
Cash and cash equivalents at end of year	(117,792)	(451,484)

There were no significant non-cash transactions.

	2010 £	2009 £
Cash available on demand	343,835	216,796
Overdrafts	(461,627)	(668,280)
	(117,792)	(451,484)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2010

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS

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

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

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 2010 (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 2010 (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 retranslated at the rates ruling at the balance sheet date. Exchange differences arising are recognised in the income statement

On consolidation, the balance sheet 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 2009 and 31st March 2010 met the conditions necessary for capitalisation.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2010 (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 2010 (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.

2. REVENUE

Revenue arises from:

	2010 £	2009 £
Sale of goods	13,440,759	12,487,364
Provision of services	68,364	34,422
	13,509,123	12,521,786

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2010 (continued)

3. PROFIT FROM OPERATIONS

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

	2010 £	2009 £
Staff costs (see note 4)	2,111,835	1,961,019
Employment termination costs (included in staff costs)	5,000	16,559
Depreciation of property, plant and equipment	88,929	89,235
Amortisation of computer software	7,695	7,567
Loss on disposal of property, plant and equipment	4,928	3,346
Goodwill impairment charge	-	-
Auditors' remuneration:		
Audit fees	1,000	1,000
Audit of accounts of associates of the company pursuant to legislation	26,395	36,273
Operating lease rentals:		
Plant and machinery	29,166	23,423
Other	103,801	100,473
Research and development costs	87,461	154,348
Foreign exchange differences	(127,648)	(238,397)

The foreign exchange differences have been treated as a reduction in cost of sales rather than as a negative overhead.

4. STAFF COSTS

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

	2010 £	2009 £
Wages and salaries	1,912,592	1,768,479
Social security costs	197,400	192,540
Other pension costs	1,843	-
	2,111,835	1,961,019

Wages and salaries include termination costs of £5,000 (2009: £16,559)

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

	2010 Number	2009 Number
Selling and distribution	23	26
Manufacturing	19	14
Management and administration	24	25
	66	65

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2010 (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 2010							
Executive Directors							
W G Marsh	12,000	-	5,000	17,000	-	-	17,000
G S Marsh	107,000	-	11,000	118,000	-	6,000	124,000
J M Lavery	107,000	-	15,000	122,000	2,000	6,000	130,000
Non-executive Directors							
P Haining	-	12,000	-	12,000	-	-	12,000
L C A Newnham	12,000	-	-	12,000	-	-	12,000
G L Comben	12,000	-	5,000	17,000	-	-	17,000
Total	250,000	12,000	36,000	298,000	2,000	12,000	312,000
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

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

	2010	2009
	£	£
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 £50,895 (2009: £52,655) 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 £11,574 (2009: £8,369) was due to The Kings Mill Partnership at 31st March 2010.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2010 (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 28th July 2010 and at the balance sheet date, and their interest in the issued ordinary share capital of the Company at that date, at 31st March 2010 and 31st March 2009 or date of appointment if later, were as follows:

	28.07.10	**31.03.10**	**31.03.09**
G L Comben	2,727,606	2,727,606	2,727,606
W G Marsh	1,700,500	1,700,500	1,700,500
G S Marsh	73,683	73,683	73,472
J M Lavery	824	824	569
P Haining	12,500	12,500	12,500
L C A Newnham	10,000	10,000	10,000
J L Macmichael	-	-	-
A B Frere	-	-	-

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

	Options held at 01.04.09	**Lapsed**	**Granted**	**Options held at 31.03.10**	**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 2010 was 37.5p (2009: 17.5p), with a quoted range during the year of 17.5p to 51.5p. No director exercised any share options during the year, or in the prior year.

6. FINANCE INCOME

	2010 £	**2009** £
Interest receivable	-	67
	-	67

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2010 (continued)

7. FINANCE COSTS

	2010 £	2009 £
Bank borrowings	11,565	35,796
Invoice discounting interest	10,474	24,529
Other interest	658	-
	22,697	60,325

8. TAX EXPENSE

	2010 £	2009 £
Current tax expense		
UK corporation tax and income tax of overseas operations on profits or losses for the year	118,814	128,670
Adjustment in respect of prior periods	(4,688)	-
	114,126	128,670
Deferred tax expense	10,024	-
Total tax charge	124,150	128,670

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:

	2010 £	2009 £
Profit before tax	529,785	614,501
Expected tax charge based on the standard rate of corporation tax in the UK of 28% (2009 – 28%)	148,340	172,060
Effect of:		
Expenses not deductible for tax purposes	8,535	11,947
Deductible expenses not charged in Group accounts	(9,649)	(9,649)
Difference between depreciation for the year and capital allowances	1,225	(7,233)
Utilisation of tax losses	-	(3,391)
Marginal relief	(1,246)	(8,902)
Enhanced relief on research and development expenditure	(18,367)	(21,609)
Non-taxable government incentive received	-	(28)
Different tax rates and rules applied in overseas jurisdictions	-	(4,525)
Adjustment to enhanced relief on research and development expenditure in prior year	(4,688)	-
Total tax charge	124,150	128,670

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2010 (continued)

9. EARNINGS PER SHARE

The earnings per share is based on the following:

	2010 £	2009 £
Earnings	405,635	485,831
Weighted average number of shares	6,156,511	6,156,511
Diluted number of shares	6,156,511	6,156,511
Earnings per share	6.6p	7.9p
Diluted earnings per share	6.6p	7.9p

Earnings per ordinary share has been calculated using the weighted average number of shares in issue during the year. The weighted average number of equity shares in issue was 6,156,511 (2009: 6,156,511).

The Diluted earnings per share is based on 6,156,511 (2009: 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 (2009: 634,920).

10. DIVIDENDS

	2010 £	2009 £
Final dividend paid for the prior year of 2p per share (2009: 1.25p)	123,130	76,957
Interim dividend paid of 1p per share (2009: 1p)	61,565	61,565
	184,695	138,522
Final dividend proposed for the year 2p per share (2009: 2p)	123,130	123,130

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 2010 (continued)

11. PROPERTY, PLANT AND EQUIPMENT

	Short leasehold property improvements £	Motor vehicles £	Fittings equipment and computers £	Total £
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
31st March 2008	-	184,918	103,616	288,534
Year ended 31st March 2010				
Cost				
1st April 2009	255,176	309,583	898,613	1,463,372
Additions	-	132,459	25,552	158,011
Disposals	-	(142,963)	-	(142,963)
31st March 2010	255,176	299,079	924,165	1,478,420
Depreciation				
1st April 2009	255,176	130,318	788,630	1,174,124
Charge for the year	-	51,015	37,914	88,929
On disposal	-	(84,477)	-	(84,477)
31st March 2010	255,176	96,856	826,544	1,178,576
Net book value				
31st March 2010	-	202,223	97,621	299,844

There were no capital commitments at 31st March 2009 and 31st March 2010.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2010 (continued)

12. INTANGIBLE ASSETS

	UN Licences £	Computer software £	Goodwill on consolidation £	Total £
Year ended 31st March 2009				
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
Year ended 31st March 2010				
Cost				
1st April 2009	9,800	38,477	1,992,737	2,041,014
Additions	-	3,835	-	3,835
31st March 2010	9,800	42,312	1,992,737	2,044,849
Amortisation				
1st April 2009	-	8,208	-	8,208
Charge for the year	-	7,695	-	7,695
31st March 2010	-	15,903	-	15,903
Net book value				
31st March 2010	9,800	26,409	1,992,737	2,028,946

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2010 (continued)

13. GOODWILL AND IMPAIRMENT

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

	Goodwill carrying amount 2010	2009
	£	£
Steatite Limited	1,992,737	893,214
Wordsworth Technology Limited	-	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% (2009: 15%) 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 (2009: 0.84).

The recoverable amount exceeds the carrying amount by £2,110,000 (2009: £2,048,000). 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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2010 (continued)

15. INVENTORIES

	2010 £	2009 £
Finished goods and goods for resale	1,422,504	1,408,602
Work in progress	365,016	145,427
	1,787,520	1,554,029

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

16. TRADE AND OTHER RECEIVABLES

	2010 £	2009 £
Trade receivables	2,489,507	2,115,226
Other receivables	-	2,232
Prepayments	72,880	102,416
	2,562,387	2,219,874

Group trade receivables include £1,318,785 (2009: £1,016,697) 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 the debts per month. At 31st March 2010 borrowing under the agreement of £1,063,703 (2009: £864,191) was available of which £1,063,703 (2009: £712,039) was taken up. Interest charges in the year amounted to £10,474 (2009: £24,529) and administration fees to £17,770 (2009: £16,114).

17. TRADE AND OTHER PAYABLES

	2010 £	2009 £
Trade payables	1,525,761	1,456,699
Other taxes and social security taxes	321,837	244,207
Other payables	12,574	2,402
Accruals	143,140	135,460
Deferred income	169,570	-
	2,172,882	1,838,768

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2010 (continued)

18. BANK BORROWINGS

	2010 £	2009 £
Amounts due to invoice discounters	1,063,703	712,039

The bank overdraft is secured by a fixed and floating charge over the assets of the Company and the Group. At the balance sheet date, the Group had an undrawn overdraft facility of £140,000 (2009: £nil).

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 2010 (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	
	2010	**2009**
	£	**£**
Current financial assets		
Trade and other receivables	2,562,387	2,219,874
Cash and cash equivalents	343,835	216,796
	2,906,222	2,436,670

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2010 (continued)

19. FINANCIAL INSTRUMENTS (continued)

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

	Carrying value 2010 £	Carrying value 2009 £
UK	2,346,611	1,998,256
Non UK	142,896	116,970
	2,489,507	2,115,226

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 £20,000 (2009: £28,000) which represented less than 0.15% (2009: 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 £
2010					
UK	2,449,254	2,309,465	135,142	3,293	1,354
Non UK	142,896	138,913	1,790	2,193	-
Total	2,592,150	2,448,378	136,932	5,486	1,354
Less: Provisions	(102,643)	-	(95,803)	(5,486)	(1,354)
Total	2,489,507	2,448,378	41,129	-	-
2009					
UK	2,100,397	1,815,974	236,493	42,394	5,536
Non UK	116,970	107,921	9,017	-	32
Total	2,217,367	1,923,895	245,510	42,394	5,568
Less: Provisions	(102,141)	-	(54,179)	(42,394)	(5,568)
Total	2,115,226	1,923,895	191,331	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2010 (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:

	2010 £	2009 £
Opening balance	102,141	131,464
Increases in provisions	20,000	28,000
Written off against provisions	(19,498)	(57,323)
	102,643	102,141

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

As shown in the earlier table, at 31st March 2010 trade receivables of £41,129 which were past their due date were not impaired (2009: £191,331). All of these were less than 60 days past their due date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2010 (continued)

19. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

	Financial liabilities measured at amortised cost	
	2010	**2009**
	£	**£**
Current financial liabilities		
Trade and other payables	2,200,308	1,838,768
Bank borrowings	1,063,703	712,039
Bank overdraft	434,201	668,280
	3,698,212	3,219,087
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**
2010					
Secured bank loans	-	-	-	-	-
Bank overdrafts	461,627	461,627	461,627	-	-
Amounts due to invoice discounters	1,063,703	1,063,703	1,063,703	-	
Trade and other payables	2,172,882	2,172,882	2,172,882	-	-
	3,698,212	3,698,212	3,698,212	-	-
2009					
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	-

Interest rate risk

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

The Group bank overdraft with HSBC plc incurs interest at the rate of 2.3% 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 2010 (continued)

19. FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)
The US Dollar overdraft facility bears the interest rate of 2.3% 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 £19,235 (2009: £11,579) 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 the subsidiaries functional currency. The risk arises on the difference in the exchange rate between the time invoices are raised/received and the time invoices are settled/paid. For sales denominated in foreign currencies the Group will try to ensure that the purchases associated with the sale will be in the same currency.

All monetary assets and liabilities of the Group were denominated in sterling with the exception of the following items which were denominated in US dollars, and which are included in the financial statements at the sterling value based on the exchange rate ruling at the balance sheet date.

The following table shows the net liabilities exposed to exchange rate risk that the Group has at 31st March 2010:

	2010	**2009**
	£	**£**
Trade receivables	636,794	677,047
Cash and cash equivalents	84,796	85,843
Trade payables	(825,929)	(854,922)
	(104,339)	(92,032)

There were also net liabilities of £32,954 in euros (2009: £19,832).

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 later in this note.

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 £13,700 (2009: £11,200) 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 £13,700 (2009: £11,200).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2010 (continued)

19. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)
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

At 31st March 2010 the Group had entered into agreement with its bankers to purchase US dollars as follows:

	$	Rate
1st April 2010	200,000	1.5582
4th May 2010	200,000	1.558
1st June 2010	200,000	1.529

Applying the actual exchange rate at the balance sheet date to these agreements gives rise to an asset of £10,561 at 31st March 2010 (2009: a liability of £421). 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 2010 is shown below:

	2010 £	2009 £
Cash and cash equivalents	(343,835)	(216,796)
Bank overdrafts	461,627	668,280
Invoice discounting advance	1,063,703	712,039
	1,181,495	1,163,523
Share capital	307,826	307,826
Share premium account	756,980	756,980
Retained earnings	2,199,714	1,837,390
Capital redemption reserve	4,674	4,674
Foreign exchange reserve	55,126	58,126
	3,324,320	2,964,996
Gearing ratio	0.262	0.282

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2010 (continued)

20. DEFERRED TAX

	2010 £
Accelerated capital allowances	
At 1st April 2009	-
Charge for the year	10,024
At 31st March 2010	10,024

21. SHARE CAPITAL

	2010 £	2009 £
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 2010 the number of shares covered by option agreements amounted to 634,920 (2009: 634,920).

No options were exercised in the year (2009: nil).

22. 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.

23. LEASING COMMITMENTS

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

	2010 £	2009 £
No later than 1 year	86,402	117,454
Later than 1 year and no later than 5 years	32,555	81,822
Later than 5 years	-	1,320

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2010 (continued)

24. 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 2010 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 (2009: £12,546).

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

	2009 and 2010
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 2010 (continued)

25. 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	38,827	782,674	(207,000)	614,501
Balance sheet				
Assets	1,719,736	4,593,017	-	6,312,753
Liabilities	(2,111,952)	(1,217,921)	(17,884)	(3,347,757)
Net assets/(liabilities)	(392,216)	3,375,096	(17,884)	2,964,996
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
Interest paid	12,000	12,639	35,686	60,325

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2010 (continued)

25. SEGMENT INFORMATION (continued)

Year ended 31st March 2010

	Distribution division £	Manufacturing division £	Head office £	Total £
Revenue				
External	3,544,437	9,964,686	-	13,509,123
Intercompany	-	6,125	-	6,125
	3,544,437	9,970,811	-	13,515,248
Profit/(loss) before tax	(40,748)	779,533	(209,000)	529,785
Balance sheet				
Assets	1,650,165	5,372,367	-	7,022,532
Liabilities	(2,059,313)	(1,708,268)	(49,445)	(3,817,026)
Net assets/(liabilities)	(409,148)	3,664,099	(49,445)	3,205,506
Other				
Capital expenditure				
- Tangible fixed assets	69,929	88,082	-	158,011
- Intangible fixed assets	3,835	-	-	3,835
Depreciation, amortisation and other non cash expenses	53,956	67,596	-	121,552
Interest paid	11,565	10,474	658	22,697

Included within the manufacturing division is £1,864,461 (2009: £0) relating to income from a major customer which accounts for greater than 10% of the Group's turnover.

	External revenue by location of customer		Total assets by location of assets		Net tangible capital expenditure by location of assets	
	2010 £	2009 £	2010 £	2009 £	2010 £	2009 £
United Kingdom	12,351,720	11,397,659	7,007,211	6,195,887	104,456	93,295
Ireland	109,893	-	-	-	-	-
Europe	763,260	747,966	15,321	116,866	-	-
North America	95,930	119,234	-	-	-	-
Asia	159,643	148,332	-	-	-	-
Africa	15,894	92,076	-	-	-	-
Australasia	12,442	14,302	-	-	-	-
South America	341	2,217	-	-	-	-
	13,509,123	12,521,786	7,022,532	6,312,753	104,456	93,295

All the above relate to continuing operations.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2010 (continued)

26. POST BALANCE SHEET EVENT

On 1st April 2010 the Group acquired 100% of the ordinary shares in Rugged Systems Limited for a cash consideration of £225,263. The investment in Rugged Systems Limited will be included in the Group's balance sheet at its fair value at the date of acquisition. Rugged Systems Limited is one of Europe's leading suppliers of rugged mobile computer, display and communications services which will strengthen the Group's product offering.

Analysis of the acquisition of Rugged Systems Limited: Net assets at the date of acquisition.

	Book value	Fair value adjustments	Fair value to Group
	£	£	£
Intangible fixed assets	-	140,434	140,434
Tangible fixed assets	71,690	(63,851)	7,839
Net current (liabilities)	(100,038)	-	(100,038)
Deferred tax	-	(36,513)	(36,513)
Net assets/(liabilities) on acquisition	(28,348)	40,070	11,722
Goodwill arising on acquisition			213,541
			225,263
Discharged by:			
Cash			225,263

In addition to the purchase price, the Group incurred costs relating to the acquisition of £7,500.

The intangible fixed assets comprise the estimated net present value of customer relationships. The goodwill arises from the expected synergies from adding Rugged Systems Limited to the rugged computer division of Steatite Limited with the aim of becoming the UKs leading supplier of rugged computers.

COMPANY BALANCE SHEET
at 31st March 2010

	Notes	2010		2009	
		£	£	£	£
FIXED ASSETS					
Investments	4		2,454,056		2,464,056
			2,454,056		2,464,056
CURRENT ASSETS					
Debtors	5	1,425,091		-	
Cash at bank and in hand		254,603		-	
		1,679,694		-	
		-		-	
CREDITORS: Amounts falling due within one year	6	922,288		998,736	
NET CURRENT ASSETS/(LIABILITIES)			757,406		(998,736)
NET ASSETS			3,211,462		1,465,320
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		2,141,982		395,840
SHAREHOLDERS' FUNDS			3,211,462		1,465,320

The financial statements were approved by the Board of Directors and authorised for issue on 28th July 2010.

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 2010

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 408(4) of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The loss for the year ended 31st March 2010 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 (2009: £12,546) and comprised the share based payment expense. There were 4 employees (2009: 4), 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 2010

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 2010 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 (2009: £12,546).

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

	2009 and 2010
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 2010 (continued)

4. INVESTMENTS
Company

	Group undertakings £
Cost	
1st April 2009	2,464,056
Disposal	(10,000)
31st March 2010	2,454,056
Net book value	
31st March 2010	2,454,056
31st March 2009	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

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

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

5. DEBTORS

	2010 £	2009 £
Amounts owed by Group undertakings	1,425,091	-

6. CREDITORS: Amounts falling due within one year

	2010 £	2009 £
Bank overdraft (secured)	27,426	-
Amounts owed to Group undertakings	893,040	997,019
Other creditors	1,822	1,717
	922,288	998,736

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31st March 2010 (continued)

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

The Company has guaranteed bank borrowings of its subsidiary undertakings, Solid State Supplies Limited and Steatite Limited. At the year end the liabilities covered by those guarantees amounted to £434,201 (2009: £567,337). 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

	2010 £	2009 £
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 2010 the number of shares covered by option agreements amounted to 634,920 (2009: 634,920).

No options were exercised in the year (2009: nil).

8. RESERVES

	Share premium account	Capital redemption reserve	Profit & loss account
1st April 2009	756,980	4,674	395,840
Profit for the year	-	-	1,918,291
	756,980	4,674	2,314,131
Add: Share based expense	-	-	12,546
	756,980	4,674	2,326,677
Dividend paid	-	-	(184,695)
31st March 2010	756,980	4,674	2,141,982

The profit for the year comprises a dividend received and 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 2010 is £30,000 (2009: £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 1st September 2010 at 11.00am for the following purposes:

ORDINARY RESOLUTIONS

(1) To receive and adopt the accounts for the year ended 31st March 2010, 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 John Michael Lavery, who retires by rotation, as a Director of the Company in accordance with the Company's Articles of Association. (Resolution 3)

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

(5) To reappoint John Lawford Macmichael, 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 Anthony Brian Frere, 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 6)

(7) To reappoint Haysmacintyre as auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 7)

(8) To pass the following resolution:

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

- i) the minimum price which may be paid for the ordinary shares is 5p per ordinary share;
- ii) the maximum price 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 701;
- v) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will be executed wholly or partly after the expiry of such authority and may make a purchase or purchases of ordinary shares in pursuance of any such contract; and
- vi) the maximum number of ordinary shares hereby authorised to be purchased by the Company does not exceed 15 per cent of the issued ordinary share capital of the Company at the date of the passing of this resolution. (Resolution 8)

BY ORDER OF THE BOARD

P Haining FCA
Director
28th July 2010

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.

SOLID STATE PLC

FORM OF PROXY

Please read the notes below before completing the form. Any amendments to this form should be initialled by the signatory.

I/We (name/(s) in full ....
of address(es)

....

....

....

being a member(s) of the above named company, hereby appoint the Chairman of the Meeting, or failing him ....
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Unit 2, Eastlands Lane, Paddock Wood, Kent, TN12 6BU on Wednesday 1st September 2010 at 11.00am and at any adjournment thereof.

Resolution	For	Against
1. To receive and adopt the accounts for the year ended 31st March 2010 together with the reports of the Directors and auditors thereon.		
2. To declare a final dividend of 2p per share.		
3. To re-appoint John Michael Lavery, who retires by rotation, as a Director of the Company in accordance with the Company's Articles of Association.		
4. To re-appoint William George Marsh, who retires by rotation, as a Director of the Company in accordance with the Company's Articles of Association.		
5. To re-appoint John Lawford Macmichael, 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.		
6. To re-appoint Anthony Brian Frere, 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.		
7. To re-appoint Haysmacintyre as auditors of the Company and to authorise the Directors to fix their remuneration.		
8. To authorise the Company to purchase its own shares.		

Signature .... Date ....

Notes

1. You may appoint one or more proxies of your own choice, if you are unable to attend the meeting but would like to vote. If such an appointment is made, delete the words "the Chairman of the Meeting" and insert the name(s) of the person or persons appointed as proxy/proxies in the space provided. A proxy need not be a member of the Company. If no name is entered above, the return of this form duly signed will authorise the Chairman of the meeting to act as your proxy.
2. In the case of a corporation, this form of proxy must be properly executed under the hand of its duly authorised officer or attorney or any other person authorised to sign on behalf of the corporation.
3. To be valid, this form must be deposited (together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or a copy certified in accordance with Powers of Attorney Act 1971 or in some other manner approved by the Directors), at Capita IRG plc, The Registry, 34 Beckenham Road, Kent BR3 4TU, not later than 48 hours before the time appointed for the Meeting. The completion and return of a form of proxy will not, however, preclude shareholders from attending and voting in person at the Meeting.
4. If two or more persons are jointly entitled to a share conferring the right to vote, any one of them may vote at the Meeting either in person or by proxy, but if more than one joint holder be present at the Meeting either in person or by proxy the one whose name stands first in the Register of Members in respect of the joint holding shall alone be entitled to vote. In any event the names of all joint holders should be stated above.
5. If this form is returned without any indication as to how the person(s) appointed shall vote on the resolutions, such persons(s) will exercise his/her/their discretion as to how to vote or whether to abstain from voting. Unless instructed other wise, the proxy may also vote or abstain from voting as he or she thinks fit on any other business, which may properly come before the meeting (including amendments to resolutions).

Please return this form to:

Capita IRG plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU