



**SOLID STATE PLC**

**Annual Report & Accounts**

31st March 2012

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**DIRECTORS, SECRETARY AND ADVISERS**

<b>Directors:</b>	Gordon Leonard Comben, <i>Chairman</i> Anthony Brian Frere, <i>Deputy Chairman</i> Gary Stephen Marsh, <i>Chief Executive Officer</i> Peter Haining, FCA, <i>Finance Director</i> John Michael Lavery, <i>Director</i> John Lawford Macmichael, <i>Director</i> William George Marsh, <i>Director</i>
<b>Company Secretary and Registered Office:</b>	Peter Haining, FCA Solid State PLC Unit 2 Eastlands Lane Paddock Wood Kent TN12 6BU
<b>Company Number:</b>	00771335
<b>Nominated Adviser:</b>	W H Ireland Limited 24 Martin Lane London WC4R 0DR
<b>Broker:</b>	W H Ireland Limited 4 Colston Avenue Bristol BS1 4ST
<b>Auditors:</b>	haysmacintyre Fairfax House 15 Fulwood Place London WC1V 6AY
<b>Solicitors:</b>	Thomson Snell & Passmore 3 Lonsdale Gardens Tunbridge Wells Kent TN1 1NX
<b>Bankers:</b>	HSBC plc 60 Queen Victoria Street London EC4N 4TR
<b>Registrars:</b>	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Country of Incorporation of Parent Company:</b>	Great Britain
<b>Legal Form:</b>	Public Limited Company
<b>Domicile:</b>	Great Britain

## CHAIRMAN'S STATEMENT

### Results

I am very pleased to report that the Group has continued to build on the strong performance achieved last year delivering a second consecutive year of record results.

Revenues increased by 22% to £25.87m (2011: £21.17m) with profit before tax rising by 29% to £1.60m (2011: £1.24m). Underlying growth in the core business, excluding costs of £223k associated with the recent acquisition of the trade and assets of Blazeport Ltd saw revenue increase by 20% and profits increase by 34%.

The Group typically experiences margin variation due to order size and product mix however retains its ability to command good margins due to the value added nature of its offering. Pleasingly, despite lower margins in the first half of the year due to the product mix and continuing margin pressures resulting from broader economic conditions and competition, Group gross profit margins were maintained at 27.8% for the year as a whole.

The operating margins increased to 6.4% when including the gain on the acquisition of the trade and assets of Blazeport Ltd (2011: 6.1%). Profit before tax has increased by 29% to £1.6m (2011: £1.24m) and earnings per share have increased by 24% to 19.5p (2011: 15.7p).

The balance sheet continues to strengthen. Total net assets have increased 30% to £5.1m (2011: £3.94m). Working capital requirements have increased in line with sales and at the year end the Company had a net gearing level of 47% (2011: 40%).

### Highlights include:

#### Financial:

	2012	2011	Change
• Turnover	£25.874m	£21.169m	+22%
• Profit before tax	£1.599m	£1.243m	+29%
• Earnings per share (basic)	19.5p	15.7p	+24%
• Gross profit margin	27.8%	27.8%	0%
• Operating margin	6.4%	6.1%	+30bps
• Dividend	7.25p	6.0p	+21%

#### Operational:

- Acquisition of trade and assets of Blazeport Ltd in October 2011 for £200k
- Strong performance from all operating divisions
- Planned relocation of Solid State Supplies Ltd to achieve improved operational efficiencies

### Commenting on the results, Gordon Comben, Chairman of Solid State said:

“These results demonstrate the value of building embedded partnerships with our clients in targeted niche sectors. This is the second successive year of record results.

“We continue to see opportunities for both organic and acquisitive growth in a market which demands increasing levels of product customisation. This plays very much to our strengths, the prospects for Solid State are extremely positive.”

### Dividends

The Directors recommend that a final dividend of 4.75p per share be paid. An interim dividend of 2.5p per share was paid in January 2012 giving a total dividend in respect of the year of 7.25p per share (2011: 6p per share). The final dividend will be paid on 31st August 2012 to shareholders on the register at the close of business on 10th August 2012. The shares will go ex-dividend on 8th August 2012.

### Business Review

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

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

## CHAIRMAN'S STATEMENT (continued)

### Divisional Review

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

### Solid State Supplies Ltd

Solid State Supplies is a distributor of specialist components to the UK OEM community; selling semiconductors, related components and modules for embedded processing, control and communications switches, power management units and LED lighting.

The financial year to 31<sup>st</sup> March 2012 saw a continuation of the growth achieved in the previous year with bookings growing 15% and billings 39% year on year.

Whilst gross margins on sales remain under pressure the total gross margin including commissions held up well at 27.6% (2011: 27.3%, 2010: 27.2%).

New product franchises acquired during the current and previous financial years have started to reflect in the growth numbers and are now contributing well to the overall billings of the company. This trend is expected to continue into FY2012/13 with new franchises accounting for a larger percentage of the overall sales. The company's dependence on sales to the military sector reduced during the year thus reducing the exposure to the Government's austerity measures. Pleasingly the company's design-in pipeline (designs in progress at customers) has strengthened throughout the year.

FY2012/13 will see the company relocating to larger and more suitable premises adjacent to its sister company, Steatite, in Redditch. The company will enter the value added market space within the electronics distribution sector, consequently strengthening the company's position both with key customers and key suppliers. The outlook for specialist electronic distribution and technical support remains buoyant and the company expects to see sustained but single digit growth throughout the 2012/13 year.

### Steatite Ltd (including Blazeport Ltd)

Steatite designs, manufactures and supplies a range of products and solutions that include bespoke Lithium battery packs, rugged mobile computing/radio solutions and industrial computer hardware and software. Key to its strategy is the ability to design, manufacture and test to customer requirements for usage in some of the most difficult and harsh environments against the most stringent of standards and qualifications.

Steatite went into the second period of last year with a large order book resulting in a very strong result for the year. Sales increased during the year by 14% whilst profit increased by 22.5%. In October 2011 the company acquired the trade and assets of Blazeport Ltd and traded the business as Steatite Blazeport Ltd for the balance of the fiscal year. Excluding the results of Steatite Blazeport Ltd in the period would have resulted in an increase in sales of 11.7% and profits of 24.9% in the underlying business on a like for like basis.

For the year ahead Steatite Blazeport Ltd will trade as a division of Steatite Ltd with most of the restructuring having taken place. This will enable it to contribute within Steatite to a greater level enhancing its product range and prospects for the year ahead. One-off costs for the year totalled £110k of which all relates to the cost of acquisition and restructuring of Blazeport Ltd.

The prospects for Steatite Ltd for the year ahead remain positive. It continues to add to a strong order book and is competing and winning some major contracts in all its chosen fields of expertise. The economy continues to present challenges with order visibility difficult to predict. Nevertheless, we are confident that remaining focussed on our strategy of supplying leading edge solutions will continue to build long term growth and value.

### Divisional Summary

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

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

## CHAIRMAN'S STATEMENT (continued)

### **Renewal of authority to purchase the Company's shares and new authorities to issue shares**

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

Under the terms of the resolution to be proposed at the Annual General Meeting, the maximum number of shares which may be purchased is 1,018,715 shares representing 15% of the issued Ordinary share capital of the Company. The minimum price payable by the Company for its Ordinary shares will be 5p and the maximum price will be determined by reference to current market prices. The authority will automatically expire after a period of eighteen months from the passing of the resolution unless renewed.

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

Resolutions are also being proposed at the Annual General Meeting with regard to the issue of further shares. One resolution will authorise the company to issue new shares up to a third of the current issued share capital by way of a rights issue and the second resolution will authorise the company to issue new shares up to 20% of the current issued share capital without rights of pre-emption for existing shareholders, and to the extent that new shares are issued under the second resolution the limit on the first resolution will be reduced such that the total number of new shares issued cannot exceed one third of the current share capital.

Your Directors consider that the resolutions to be proposed at the meeting are in the best interests of the Company and its shareholders. They unanimously recommend that all Ordinary shareholders vote in favour of the resolution at the Annual General Meeting as they intend to do in respect of their beneficial holdings amounting to 4,317,037 Ordinary shares, representing 63.6% of the Company's issued Ordinary share capital.

### **Outlook**

The Group will continue its stated strategy of both organic and acquisitive growth. The successful acquisition and integration of both Rugged Systems in 2010 and BlazePoint in October 2011 demonstrates that we can enhance shareholder value through our policy of selective acquisitions in our chosen fields of computing, components and batteries. We will continue to seek further acquisitions that complement our growth strategy and benefit shareholders.

We are mindful of the current economic environment but remain confident of the Group's prospects for the year ahead and beyond. We entered the new financial year with a strong order book which at 31<sup>st</sup> March 2012 stood at £10.5m (31<sup>st</sup> March 2011: £8.4m). This has been underpinned with the recent announcement of a £3.5m order to be delivered during H1 2012. This confidence is reflected in the Board's decision to declare a final dividend of 4.75p giving a total dividend for the year 7.25p, a 21% increase on the 2011 dividend of 6.0p. The prospects for Solid State are extremely positive.

Finally, I would like to thank my fellow Directors and all the staff for their continued support in what has been an outstanding year for the Group.

### **Gordon Comben**

*Chairman*

20th June 2012

**DIRECTORS' REPORT**  
For the year ended 31st March 2012

The Directors submit their report together with the audited financial statements of the Group in respect of the year ended 31st March 2012.

**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 principal risks faced by the Group are foreign currency risk, liquidity risk and credit risk.

Foreign currency risk primarily relates to the US dollar: Sterling exchange rate and although much progress has been made in recent years in converting the sales currency into line with the purchase currency on any contract, the Group still has purchases in dollars which are considerably in excess of the sales made in dollars. In the year under review the Group purchased US\$7,650,000.

The risk is managed by way of using forward purchase contracts to cover much of the required dollar purchases and spot purchases to buy the balance of the dollars enabling the Group to take advantage of short term exchange rate fluctuations. In addition, the extent of dollar holdings by the Group is minimised to avoid unnecessary exposure to losses in the event of the decline of the dollar against sterling.

The nature of the business means that cash flow requirements fluctuate very significantly with some large contracts requiring significant funding in the short term. Invoice discounting is used as a source of funding on trade debtors in Steatite Limited, but in addition the Group has an overdraft facility of £1.5m, temporarily extended to £2.0m, to ensure that facilities are always available to progress contracts, including circumstances where the contract has been awarded close to the date of commencement and advance payments to suppliers are required. Such a contract was completed just prior to the year end giving rise to a significant increase in trade receivables and bank overdraft.

Credit risk arises as the vast majority of sales are on credit terms, and the recent increase in turnover has led to trade receivables rising from £3,876,414 at the start of the year under review to £6,519,349 at the end of the year. However it is Group policy that all new customers are assessed for their credit risk before any binding contracts are entered into and all existing accounts are reviewed at least once a year. In the year under review bad debts written off have amounted to less than 0.03% of the turnover.

One major decision taken during the year was to purchase the business and relevant assets of Blazepoint Limited. The Group has incurred non recurring expenditure of £110,000, principally staff termination costs, as a result of this acquisition and the net loss arising in the period was £62,000. However, several former customers of Blazepoint are now customers of Solid State PLC and the new acquisition is expected to make a significant positive contribution to profits in the new financial year.

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 of the Group have increased during the year under review by about £1,000,000.

The Group does not comment on environmental matters.

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

## DIRECTORS' REPORT

For the year ended 31st March 2012 (continued)

### Results and Dividends

The consolidated statement of comprehensive income is set out on page 13. The Directors recommend that a final dividend of 4.75p per share is paid. The total dividend for the year is thus 7.25p per share. The final dividend will be paid on 31st August 2012 to shareholders on the register at the close of business on 10th August 2012.

### Directors

The Directors of the Company during the year were:

G L Comben  
A B Frere  
G S Marsh  
P Haining, FCA  
J M Lavery  
J L Macmichael  
W G Marsh

### Gordon Comben, (dob 09/09/1939), Chairman

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, and was reappointed as Chairman in November 2011.

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

Tony Frere has been in the Electronics Industry for 40 years, 30 of which serving the component distribution sector. Former directorships include Managing Director of DT Electronics and Nu Horizons Electronics. Currently sitting on the executive council of the ECSN (the electronic component supply network trade association), and in 2012 was appointed as Deputy Chairman.

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

Gary Marsh joined the Company in 1986 having gained an HND in Business and Finance Studies. He has held various positions within the Group including that of Operations Director of Solid State Supplies prior to his appointment as its Managing Director in 1997. In addition to this role, Gary Marsh was appointed Group Managing Director in 2002 following the acquisition of Steatite. In 2011 following the acquisition of Rugged Systems Ltd he was appointed Chief Executive Officer of the Group.

### Peter Haining FCA, (dob 05/09/1956), Finance Director and Company Secretary

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

### 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 Steatite 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 2011.



## DIRECTORS' REPORT

For the year ended 31st March 2012 (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 as a Non-executive Director.

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

### **Corporate Governance**

The Board confirms that the Group has had regard, throughout the accounting period, with the provisions set out in Section 1 of the Combined Code which was issued by the Financial Reporting Council in June 2008. 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 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 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 three Non-executive Directors and meets regularly throughout the year.

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

### **Going Concern**

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

### **Purchase of Own Shares**

At the year end the Company had in place authority to purchase 1,018,715 ordinary shares under authority given by a resolution at the Annual General Meeting on 8th September 2011. This authority expires on 8th March 2013.

### **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.

## DIRECTORS' REPORT

For the year ended 31st March 2012 (continued)

### Statement of Directors' Responsibilities

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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:

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

### Parent company financial statements

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

- select suitable accounting policies and then apply them consistently.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- make judgements and estimates that are reasonable and prudent.
- state whether UK 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 corporate and financial information group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein. The work carried out by the auditors does not include consideration of the maintenance and the integrity of the website and accordingly the auditor accepts no responsibility for any changes that have occurred to the financial statements when they are presented on the website.

**DIRECTORS' REPORT**

For the year ended 31st March 2012 (continued)

**Creditor Payment Policy**

The Company's policy for the year to 31st March 2012 for all suppliers is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment.

Creditor days based on the year end trade creditors and purchases made in the year were 47 days (2011: 50 days).

**Auditors**

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

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

By order of the Board

**P Haining FCA**

*Secretary*

20th June 2012

*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 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Company Balance Sheet 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 Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 9 and 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**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 2012 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.

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

**Notes**

1. The maintenance and integrity of the group's website is the responsibility of the directors, the work carried out by the auditors does not involve consideration of those matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**David Cox** (*Senior statutory auditor*)  
*for and on behalf of haysmacintyre, Statutory Auditor*  
20th June 2012

*Fairfax House*  
*15 Fulwood Place*  
*London WC1V 6AY*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31st March 2012

	Notes	2012 £	2011 £
Revenue	2	25,874,151	21,169,308
Cost of sales		(18,676,947)	(15,282,648)
		<hr/>	<hr/>
<b>GROSS PROFIT</b>		7,197,204	5,886,660
Distribution costs		(2,318,809)	(1,844,559)
Administrative expenses		(3,371,930)	(2,745,555)
Gain on acquisition		160,287	-
		<hr/>	<hr/>
<b>PROFIT FROM OPERATIONS</b>	3	1,666,752	1,296,546
Finance costs	6	(67,608)	(53,150)
		<hr/>	<hr/>
<b>PROFIT BEFORE TAXATION</b>		1,599,144	1,243,396
Tax expense	7	(282,159)	(274,912)
		<hr/>	<hr/>
<b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		1,316,985	968,484
		<hr/>	<hr/>
<b>OTHER COMPREHENSIVE INCOME</b>		-	4,708
Translation differences on overseas operations		<hr/>	<hr/>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		1,316,985	973,192
		<hr/>	<hr/>
<b>EARNINGS PER SHARE</b>			
Basic	8	19.5p	15.7p
Diluted	8	19.2p	15.0p

The notes on pages 18 to 49 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31st March 2012

	Share Capital	Share Premium Reserve	Capital Redemption Reserve	Foreign Exchange Reserve	Retained Earnings	Total
Balance at 31st March 2010	307,826	756,980	4,674	55,126	2,070,876	3,195,482
Total comprehensive income For the year ended 31 <sup>st</sup> March 2011	-	-	-	4,708	968,484	973,192
Share based payment expense	-	-	-	-	16,188	16,188
Dividends	-	-	-	-	(246,260)	(246,260)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31st March 2011	307,826	756,980	4,674	59,834	2,809,288	3,938,602
Total comprehensive income For the year ended 31 <sup>st</sup> March 2012	-	-	-	-	1,316,985	1,316,985
Issue of new shares	31,746	168,254	-	-	-	200,000
Share based payment expense	-	-	-	-	92,023	92,023
Dividends	-	-	-	-	(441,443)	(441,443)
Reallocation on winding up of a subsidiary	-	-	-	(59,834)	59,834	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31st March 2012	339,572	925,234	4,674	-	3,836,687	5,106,167

The notes on pages 18 to 49 form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
at 31st March 2012

	Notes	2012		2011	
		£	£	£	£
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	10		851,170		613,756
Intangible assets	11		2,425,579		2,374,618
			<hr/>		<hr/>
<b>TOTAL NON-CURRENT ASSETS</b>			3,276,749		2,988,374
<b>CURRENT ASSETS</b>					
Inventories	14	3,062,005		2,765,672	
Trade and other receivables	15	6,872,680		4,214,693	
Cash and cash equivalents		41,868		73,003	
			<hr/>		<hr/>
<b>TOTAL CURRENT ASSETS</b>			9,976,553		7,053,368
			<hr/>		<hr/>
<b>TOTAL ASSETS</b>			13,253,302		10,041,742
			<hr/>		<hr/>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Bank overdraft		1,367,995		481,232	
Trade and other payables	16	5,365,567		3,911,120	
Bank borrowings	17	1,064,417		1,184,964	
Corporation tax liabilities		261,353		258,826	
			<hr/>		<hr/>
<b>TOTAL CURRENT LIABILITIES</b>			8,059,332		5,836,142
<b>NON CURRENT LIABILITIES</b>					
Borrowings	18	-		200,000	
Deferred tax liability	20	87,803		66,998	
			<hr/>		<hr/>
<b>TOTAL NON-CURRENT LIABILITIES</b>			87,803		266,998
			<hr/>		<hr/>
<b>TOTAL LIABILITIES</b>			8,147,135		6,103,140
			<hr/>		<hr/>
<b>TOTAL NET ASSETS</b>			5,106,167		3,938,602
			<hr/>		<hr/>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>					
Share capital	21		339,572		307,826
Share premium reserve	22		925,234		756,980
Capital redemption reserve	22		4,674		4,674
Foreign exchange reserve	22		-		59,834
Retained earnings	22		3,836,687		2,809,288
			<hr/>		<hr/>
<b>TOTAL EQUITY</b>			5,106,167		3,938,602
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 20th June 2012 and were signed on its behalf by:

**P. Haining**, Director

**G S Marsh**, Director

The notes on pages 18 to 49 form part of these financial statements.



**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 31st March 2012

	<b>2012</b>		<b>2011</b>	
	£	£	£	£
<b>OPERATING ACTIVITIES</b>				
Profit before taxation		1,599,144		1,243,396
Adjustments for:				
Depreciation		196,778		113,193
Amortisation		34,153		22,080
Loss/(profit) on disposal of property, plant and equipment		8,095		(6,179)
Share based payment expense		92,023		16,188
Finance costs		67,608		53,150
Gain on acquisition		(160,287)		-
		<hr/>		<hr/>
Profit from operations before changes in working capital and provisions		1,837,514		1,441,828
(Increase) in inventories	(96,333)		(826,550)	
(Increase) in trade and other receivables	(2,657,987)		(1,268,263)	
Increase in trade and other payables	1,147,734		1,216,980	
		<hr/>		<hr/>
		(1,606,586)		(887,833)
		<hr/>		<hr/>
Cash generated from operations		230,928		553,995
Income taxes paid	(258,826)		(114,439)	
		<hr/>		<hr/>
		(258,826)		(114,439)
		<hr/>		<hr/>
Cash flow from operating activities		(27,898)		439,556
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(288,787)		(483,553)	
Purchase of computer software	(8,114)		(13,777)	
Proceeds of sales from property, plant and equipment	36,500		70,466	
Consideration paid on acquisition of subsidiary	-		(225,263)	
Consideration paid on acquisition of business	(200,000)		-	
Cash within subsidiary over which control has been obtained	-		157,528	
		<hr/>		<hr/>
		(460,401)		(494,599)
		<hr/>		<hr/>
		(488,299)		(55,043)
<b>FINANCING ACTIVITIES</b>				
Issue of ordinary shares	200,000		-	
Medium term loan received	-		200,000	
Repayment of debt factoring	-		(255,900)	
Repayment of finance lease	-		(6,053)	
Invoice discounting finance (net movement)	(120,548)		121,261	
Interest paid	(67,608)		(53,150)	
Dividend paid to equity shareholders	(441,443)		(246,260)	
		<hr/>		<hr/>
		(429,599)		(240,102)
		<hr/>		<hr/>
<b>(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		(917,898)		(295,145)
		<hr/>		<hr/>

The notes on pages 18 to 49 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31st March 2012 (continued)

Cash and cash equivalents comprise:

	<b>2012</b> £	<b>2011</b> £
Net (decrease) in cash and cash equivalents	(917,898)	(295,145)
Cash and cash equivalents at beginning of year	(408,229)	(117,792)
Exchange gains on cash and cash equivalents	-	4,708
	<hr/>	<hr/>
Cash and cash equivalents at end of year	(1,326,127)	(408,229)
	<hr/>	<hr/>

There were no significant non-cash transactions.

	<b>2012</b> £	<b>2011</b> £
Cash available on demand	41,868	73,003
Overdrafts	(1,367,995)	(481,232)
	<hr/>	<hr/>
	(1,326,127)	(408,229)
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2012

### 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 statement of comprehensive income from the date on which control is obtained.

#### **Goodwill**

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

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

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

#### **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 statement of comprehensive income, except to the extent that they reverse gains previously recognised in the consolidated statement of recognised income and expense. An impairment loss recognised for goodwill is not reversed.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March 2012 (continued)

**1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)****Intangible Assets (other than goodwill)**

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

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight line basis over their useful economic lives. Cost includes all directly attributable costs of acquisition. The amortisation expense is included within the administration expense line in the consolidated statement of comprehensive income. Software is amortised over its useful economic life of 5 years and other intangible assets over their useful economic life of 10 years.

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

**Revenue**

Revenue represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Revenue is recognised when the risks and rewards of owning the goods has passed to the customer which is generally on collection. For goods that are subject to bill and hold arrangements this means:

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

Normal payment terms apply to the bill and hold arrangements.

**Property, plant and equipment**

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

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

Short leasehold property improvements- straight line over minimum life of lease  
 Fittings and equipment- 25% per annum on a reducing balance basis  
 Computers- 20% per annum on a straight line basis  
 Motor vehicles- 25% per annum on a reducing balance basis

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 statement of comprehensive income 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 2012 (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 statement of comprehensive income.

On consolidation, the statement of financial position of overseas operations are translated into sterling at rates approximating to those ruling at the statement of financial position 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 statement of comprehensive income.

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

None of the development costs during the years ended 31st March 2011 and 31st March 2012 met the conditions necessary for capitalisation.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2012 (continued)

### 1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

#### **Dividends**

Equity dividends are recognised when they become legally payable. Interim dividends are recognised when paid. Final dividends are recognised when approved by the shareholders at an annual general meeting.

#### **Financial assets**

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

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

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

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

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

#### **Financial liabilities**

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2012 (continued)

### 1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

#### Shared based payment

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

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

#### Standards and amendments and interpretations to published standards not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1st April 2013 or later periods and which the group has decided not to adopt early are:

**IFRS 9 Financial Instruments** (effective for accounting periods beginning on or after 1st January 2015). IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities.

**IFRS 10 Consolidated Financial Statements** (effective for accounting periods beginning on or after 1st January 2013). IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities.

**IFRS 11 Joint Arrangements** (effective for accounting periods beginning on or after 1st January 2013). IFRS 11 focuses on the rights and obligations of joint arrangements, rather than its legal form.

**IFRS 12 Disclosure of Interests in Other Entities** (effective for accounting periods beginning on or after 1st January 2013). IFRS 12 introduces new disclosure requirements for all forms of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

**IFRS 13 Fair Value Measurement** (effective for accounting periods beginning on or after 1st January 2013). IFRS 13 establishes a single framework for all fair value measurements when fair value is required or permitted by IFRS.

**IAS 1 (amended) Presentation of Items of Other Comprehensive Income** (effective for accounting periods beginning on or after 1st January 2015) IAS 1 prescribes the basis for presentation of general purpose financial information to ensure comparability with the entity's financial statements of previous periods and with financial statements of other entities.

**IAS 12 (amended) Deferred Tax: Recovery of Underlying Assets** (effective for accounting periods beginning on or after 1st January 2012). IAS 12 prescribes the accounting treatment for income taxes.

**IAS 19 (revised) Employee Benefits** (effective for accounting periods beginning on or after 1st January 2013) IAS 19 prescribes the accounting and disclosure for employee benefits i.e. all forms of consideration given by an entity in exchange for service rendered by an employee.

**IAS 27 (revised) Separate Financial Statements** (effective for accounting periods beginning on or after 1st January 2013) IAS 27 assists in the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent and in accounting for investments in subsidiaries, jointly controlled entities and associates when an entity elects, or is required by local regulations to present separate (non consolidated) financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March 2012 (continued)

**1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)**

The implementation of these standards is not expected to have any material effect on the Group's financial statements.

**2. REVENUE**

Revenue arises from:

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Sale of goods	25,782,186	21,075,785
Provision of services	91,965	93,523
	<hr/>	<hr/>
	25,874,151	21,169,308
	<hr/>	<hr/>

**3. PROFIT FROM OPERATIONS**

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

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Staff costs (see note 4)	4,074,660	3,020,175
Employment termination costs (included in staff costs)	105,460	78,110
Depreciation of property, plant and equipment	196,778	113,193
Amortisation of computer software and other intangible assets	34,153	22,080
Loss/(profit) on disposal of property, plant and equipment	8,095	(6,179)
Auditors' remuneration:		
Audit fees	5,500	1,000
Audit of accounts of associates of the company pursuant to legislation	32,000	35,002
Operating lease rentals:		
Plant and machinery	41,500	21,965
Other	202,943	142,177
Research and development costs	178,410	114,612
Foreign exchange differences	(218,591)	(212,827)
Stock write downs	130,000	162,000
	<hr/>	<hr/>

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:

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Wages and salaries	3,670,635	2,671,973
Social security costs	394,093	288,664
Other pension costs	9,932	59,538
	<hr/>	<hr/>
	4,074,660	3,020,175
	<hr/>	<hr/>



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March 2012 (continued)

**4. STAFF COSTS (continued)**

Wages and salaries include termination costs of £105,460 (2011: £78,110)

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

	<b>2012 Number</b>	<b>2011 Number</b>
Selling and distribution	32	29
Manufacturing	27	20
Management and administration	37	28
	—	—
	96	77
	—	—

**5. DIRECTORS' EMOLUMENTS, INTERESTS AND SERVICES CONTRACTS**

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

	<b>Salary/ Fees</b>	<b>Bonuses</b>	<b>Benefits in kind</b>	<b>Total emoluments</b>	<b>Pension contributions</b>	<b>Total</b>
	£	£	£	£	£	£
31st March 2012						
W G Marsh	36,000	-	18,000	54,000	-	54,000
G S Marsh	125,000	125,000	14,000	264,000	-	264,000
J M Lavery	120,000	120,000	19,000	259,000	2,000	261,000
J L Macmichael	85,000	79,000	18,000	182,000	-	182,000
P Haining	19,000	-	-	19,000	-	19,000
G L Comben	36,000	-	17,000	53,000	-	53,000
A B Frere	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
Total	421,000	324,000	86,000	831,000	2,000	833,000
	-----	-----	-----	-----	-----	-----
31st March 2011						
W G Marsh	12,000	-	5,000	17,000	-	17,000
G S Marsh	110,000	100,000	12,000	222,000	-	222,000
J M Lavery	100,000	65,000	16,000	181,000	48,000	229,000
J L Macmichael	75,000	5,000	10,000	90,000	-	90,000
P Haining	15,000	-	-	15,000	-	15,000
L C A Newnham	9,000	-	-	9,000	-	9,000
G L Comben	6,000	-	13,000	19,000	-	19,000
A B Frere	15,000	-	-	15,000	-	15,000
	-----	-----	-----	-----	-----	-----
Total	342,000	170,000	56,000	568,000	48,000	616,000
	-----	-----	-----	-----	-----	-----

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March 2012 (continued)

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

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

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
W G Marsh	-	24,000

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

In addition to the above, fees totalling £63,345 (2011: £56,000) 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 £7,458 (2011: £14,472) was due to The Kings Mill Partnership at 31st March 2012.

Fees totalling £16,053 (2011: £Nil) arose during the year in respect of the services of A B Frere provided by Condev Limited. A balance of £1,938 (2011: £Nil) was due to Condev Limited at 31st March 2012.

The 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 20th June 2012 and at the statement of financial position date, and their interest in the issued ordinary share capital of the Company at that date, at 31st March 2012 and 31st March 2011 or date of appointment if later, were as follows:

	<b>20.06.12</b>	<b>31.03.12</b>	<b>31.03.11</b>
G L Comben	2,000,000	2,000,000	2,715,106
W G Marsh	1,488,000	1,488,000	1,688,000
G S Marsh	391,192	391,192	73,709
J M Lavery	318,345	318,345	860
P Haining	52,500	52,500	12,500
J L Macmichael	11,000	11,000	-
A B Frere	56,000	56,000	-

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

	<b>Options held at 01.04.11</b>	<b>Exercised</b>	<b>Granted</b>	<b>Options held at 31.03.12</b>	<b>Exercise price</b>	<b>Date of grant</b>	<b>Exercise period</b>
G S Marsh	317,460	317,460	120,603	120,603	99.5p	10.05.11	May 2012- March 2016
J M Lavery	317,460	317,460	120,603	120,603	99.5p	10.05.11	May 2012- March 2016
J L Macmichael	60,000	-	-	60,000	62.0p	23.12.10	December 2011 onwards
	-	-	88,085	88,085	94.0p	01.04.11	April 2012 onwards

The market price of the shares at 31st March 2012 was £1.96 (2011: 99p), with a quoted range during the year of 94.5p to £1.96.

All the options at 31st March 2012 are subject to performance criteria.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March 2012 (continued)

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

The options held by G S Marsh and J M Lavery are split into two equal tranches. For the first tranche to be exercisable, Solid State PLC's ordinary share price needs to have exceeded £2.00 per share for 20 consecutive days and for the second tranche to be exercised the ordinary share price needs to have exceeded £2.50 per share for 20 consecutive days.

The options held by J Macmichael are subject to Solid State Supplies Limited exceeding a certain level of annual turnover. The first option over 60,000 shares is dependent on the annual turnover exceeding £4m. The second options are split into two equal tranches. For the first tranche to be exercisable, the annual turnover must exceed £5m and for the second tranche the annual turnover must exceed £6m. At the balance sheet date all these criteria had been met.

**6. FINANCE COSTS**

	<b>2012</b>	<b>2011</b>
	£	£
Bank borrowings	27,344	18,241
Invoice discounting interest	26,184	21,044
Other interest	14,080	13,865
	<hr/>	<hr/>
	67,608	53,150
	<hr/>	<hr/>

Other interest includes £9,000 (2011: £8,798) to G L Comben and £5,080 (2011: £2,850) to W G Marsh in respect of their unsecured loans to the group. Further details of these loans are stated in Note 18 on page 33.

**7. TAX EXPENSE**

	<b>2012</b>	<b>2011</b>
	£	£
<b>Current tax expense</b>		
UK corporation tax and income tax of overseas operations on profits or losses for the year	261,353	258,826
Adjustment in respect of prior periods	-	(4,375)
	<hr/>	<hr/>
	261,353	254,451
<b>Deferred tax expense</b>	<hr/>	<hr/>
	20,806	20,461
	<hr/>	<hr/>
<b>Total tax charge</b>	282,159	274,912
	<hr/>	<hr/>

The deferred tax expense has been reduced by £4,883 (2011: £5,139) as a result of the reduction in the applicable rate of corporation tax from 26% to 24%.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March 2012 (continued)

**7. TAX EXPENSE (continued)**

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:

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Profit before tax	1,599,144	1,243,396
Expected tax charge based on the standard rate of corporation tax in the UK of 26% (2011 – 28%)	415,777	348,151
Effect of:		
Expenses not deductible for tax purposes	28,508	11,578
Deductible expenses not charged in Group accounts	(5,308)	(9,649)
Difference between depreciation for the year and capital allowances	(26)	1,065
Tax relief on exercise of share options at less than market value	(104,825)	-
Timing difference on recognition of gain on acquisition for tax purposes	(1,600)	-
Utilisation of tax losses	-	(46,495)
Marginal relief	(4,500)	(1,295)
Enhanced relief on research and development expenditure	(45,867)	(24,068)
Adjustment to enhanced relief on research and development expenditure in prior year	-	(4,375)
Total tax charge	282,159	274,912

**8. EARNINGS PER SHARE**

The earnings per share is based on the following:

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Earnings	1,316,985	968,484
Weighted average number of shares	6,770,613	6,156,511
Diluted number of shares	6,870,252	6,444,348
Earnings per share	19.5p	15.7p
Diluted earnings per share	19.2p	15.0p

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 6,770,613 (2011: 6,156,511).

The Diluted earnings per share is based on 6,870,252 (2011: 6,444,348) ordinary shares which allow for the exercise of all dilutive potential ordinary shares.

In the prior year, certain employee options were not included in the calculation of diluted EPS because their exercise was contingent on the satisfaction of certain criteria that had not been met at the end of the year. In addition, certain employee options were also excluded from the calculation of diluted EPS as their exercise price was 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 share options which have not been included in the calculation of the weighted average number of shares was nil (2011: 60,000).

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March 2012 (continued)

**9. DIVIDENDS**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Final dividend paid for the prior year of 4p per share (2011: 2p)	271,657	123,130
Interim dividend paid of 2.5p per share (2011: 2p)	169,786	123,130
	<hr/>	<hr/>
	441,443	246,260
	<hr/>	<hr/>
Final dividend proposed for the year 4.75p per share (2011: 4p)	322,593	271,657
	<hr/>	<hr/>

The proposed final dividend has not been accrued for as the dividend was declared after the statement of financial position date.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March 2012 (continued)

**10. PROPERTY, PLANT AND EQUIPMENT**

	Short leasehold property improvements £	Motor vehicles £	Fittings equipment and computers £	Total £
<b>Year ended 31st March 2011</b>				
Cost				
1st April 2010	255,176	299,079	924,165	1,478,420
Additions	199,331	234,183	50,039	483,553
Acquisition of subsidiary	-	-	7,839	7,839
Disposals	(255,176)	(135,232)	(2,800)	(393,208)
	-----	-----	-----	-----
31st March 2011	199,331	398,030	979,243	1,576,604
Depreciation				
1st April 2010	255,176	96,856	826,544	1,178,576
Charge for the year	8,472	65,164	39,557	113,193
On disposal	(255,176)	(71,785)	(1,960)	(328,921)
	-----	-----	-----	-----
31st March 2011	8,472	90,235	864,141	962,848
Net book value				
31st March 2011	190,859	307,795	115,102	613,756
	-----	-----	-----	-----
<b>Year ended 31st March 2012</b>				
Cost				
1st April 2011	199,331	398,030	979,243	1,576,604
Additions	19,345	194,050	265,392	478,787
Disposals	-	(60,875)	-	(60,875)
	-----	-----	-----	-----
31st March 2012	218,676	531,205	1,244,635	1,994,516
Depreciation				
1st April 2011	8,472	90,235	864,141	962,848
Charge for the year	34,861	99,390	62,527	196,778
On disposal	-	(16,280)	-	(16,280)
	-----	-----	-----	-----
31st March 2012	43,333	173,345	926,668	1,143,346
Net book value				
31st March 2012	175,343	357,860	317,967	851,170
	-----	-----	-----	-----

At 31 March 2011 the Group was committed to purchase a motor vehicle at a cost of £42,627.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2012 (continued)

## 11. INTANGIBLE ASSETS

	UN Licences £	Computer software £	Goodwill on consolidation £	Other intangible assets £	Total £
<b>Year ended 31st March 2011</b>					
1st April 2010	9,800	42,312	1,992,737	-	2,044,849
Additions	-	13,777	-	-	13,777
Acquisition of subsidiary	-	-	213,541	140,434	353,975
	-----	-----	-----	-----	-----
31st March 2011	9,800	56,089	2,206,278	140,434	2,412,601
	-----	-----	-----	-----	-----
Amortisation					
1st April 2010	-	15,903	-	-	15,903
Charge for the year	-	8,037	-	14,043	22,080
	-----	-----	-----	-----	-----
31st March 2011	-	23,940	-	14,043	37,983
	-----	-----	-----	-----	-----
Net book value					
31st March 2011	9,800	32,149	2,206,278	126,391	2,374,618
	-----	-----	-----	-----	-----
<b>Year ended 31st March 2012</b>					
Cost					
1st April 2011	9,800	56,089	2,206,278	140,434	2,412,601
Additions	-	85,114	-	-	85,114
	-----	-----	-----	-----	-----
31st March 2012	9,800	141,203	2,206,278	140,434	2,497,715
	-----	-----	-----	-----	-----
Amortisation					
1st April 2011	-	23,940	-	14,043	37,983
Charge for the year	-	20,110	-	14,043	34,153
	-----	-----	-----	-----	-----
31st March 2012	-	44,050	-	28,086	72,136
	-----	-----	-----	-----	-----
Net book value					
31st March 2012	9,800	97,153	2,206,278	112,348	2,425,579
	-----	-----	-----	-----	-----

Other intangible assets comprise the estimated net present value of customer relationships of Rugged Systems Limited at the date of acquisition.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March 2012 (continued)

**12. GOODWILL AND IMPAIRMENT**

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

	<b>Goodwill carrying amount</b>	
	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Steatite Limited	2,206,278	1,992,737
Rugged Systems Limited	-	213,541
	<hr/>	<hr/>
	2,206,278	2,206,278
	<hr/>	<hr/>

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% (2011: 15%) has been used based on the weighted 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 (2011: 0.84).

The recoverable amount exceeds the carrying amount by £9,719,000 (2011: £7,666,000). 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%

**13. SUBSIDIARIES**

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

<b>Subsidiary undertakings</b>	<b>Country of Incorporation</b>	<b>Proportion of voting rights and Ordinary share capital held</b>	<b>Nature of business</b>
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.
Steatite Blazepoint Limited	Great Britain	100%	Distribution, manufacture and maintenance of computer products.

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

With effect from 1st April 2012 the trade of Steatite Blazepoint Limited has been transferred to Steatite Limited and the company became dormant.



**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31st March 2012 (continued)

**14. INVENTORIES**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Finished goods and goods for resale	2,754,195	2,392,993
Work in progress	307,810	372,679
	<hr/>	<hr/>
	3,062,005	2,765,672
	<hr/>	<hr/>

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

**15. TRADE AND OTHER RECEIVABLES**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Trade receivables	6,519,349	3,876,414
Other receivables	-	2,808
Prepayments	353,331	335,471
	<hr/>	<hr/>
	6,872,680	4,214,693
	<hr/>	<hr/>

Group trade receivables include £1,572,639 (2011: £1,768,843) 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 2% over bank base rate and an administration fee of 0.175% of the gross value of the debts per month. At 31st March 2012 borrowing under the agreement of £1,280,235 (2011: £1,348,700) was available of which £1,064,417 (2011: £1,184,164) was taken up. Interest charges in the year amounted to £26,184 (2011: £21,044) and administration fees to £22,935 (2011: £30,826).

**16. TRADE AND OTHER PAYABLES (CURRENT)**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Trade payables	3,160,255	2,680,178
Other taxes and social security taxes	807,672	493,192
Other payables	649,377	209,675
Accruals	547,175	320,067
Deferred income	201,088	208,008
	<hr/>	<hr/>
	5,365,567	3,911,120
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March 2012 (continued)

**17. BANK BORROWINGS**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Amounts due to invoice discounters	1,064,417	1,184,964
	<hr/>	<hr/>

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 £632,000 (2011: £608,000).

**18. TRADE AND OTHER PAYABLES (NON CURRENT)**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Medium term loans	-	200,000
	<hr/>	<hr/>

At 31st March 2011, the medium term loans comprised loans of £150,000 from G L Comben and £50,000 from W G Marsh. At 31st March 2012, loans of £150,000 from G L Comben and £150,000 from W G Marsh are included within other payables due within less than one year. The loans are unsecured and, for G L Comben's loan, interest is payable at the rate of 6% per annum and for W G Marsh's loan, interest is payable at the rate of 6% per annum on the first £50,000 and at 2% over base rate for the remainder. Both loans were repaid on 21<sup>st</sup> May 2012.

**19. FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March 2012 (continued)

**19. FINANCIAL INSTRUMENTS (continued)***Credit risk*

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

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

The maximum exposure to credit risk is represented by the carrying value in the statement of financial position as shown in note 15 and in the statement of financial position. The amount of the exposure shown in note 15 is stated net of provisions for doubtful debts.

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

*Foreign currency risk*

Foreign exchange transaction risk arises when individual Group operations enter into transactions denominated in a currency other than their functional currency. The general policy for the Group is to sell to customers in the same currency that goods are purchased in reducing the transactional risk. Where transactions are not matched excess foreign currency amounts generated from trading are converted back to sterling and required foreign currency amounts are converted from sterling and the use of forward currency contracts is considered.

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:

	<b>Loans and Receivables</b>	
	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<b>Current financial assets</b>		
Trade and other receivables	6,872,680	4,214,693
Cash and cash equivalents	41,868	73,003
	<hr/>	<hr/>
	6,914,548	4,287,696
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March 2012 (continued)

**19. FINANCIAL INSTRUMENTS (continued)**

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

	Carrying value	
	2012 £	2011 £
UK	6,303,075	3,803,133
Non UK	216,274	73,281
	<hr/>	<hr/>
	6,519,349	3,876,414
	<hr/>	<hr/>

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 £Nil (2011: £7,262) which represented 0% (2011: 0.03%) of revenue. This provision is included within the management and administration costs in the Consolidated Statement of Comprehensive Income.

**Trade receivables ageing by geographical segment**

Geographical area	Total £	Current £	30 days past due £	60 days past due £	90 days past due £
2012					
UK	6,391,113	6,098,261	275,863	12,173	4,816
Non UK	235,093	194,649	21,625	11,838	6,981
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	6,626,206	6,292,910	297,488	24,011	11,797
Less: Provisions	(106,857)	-	(71,049)	(24,011)	(11,797)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	6,519,349	6,292,910	226,439	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
2011					
UK	3,913,038	3,612,489	231,092	11,753	57,704
Non UK	73,281	63,115	10,166	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	3,986,319	3,675,604	241,258	11,753	57,704
Less: Provisions	(109,905)	-	(40,448)	(11,753)	(57,704)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	3,876,414	3,675,604	200,810	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31st March 2012 (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:

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Opening balance	109,905	102,643
Increases in provisions	6,857	7,262
Written off against provisions	(9,905)	-
	<hr/>	<hr/>
	106,857	109,905
	<hr/>	<hr/>

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 2012 trade receivables of £226,439 which were past their due date were not impaired (2011: £200,810). All of these were less than 60 days past their due date.

*Liquidity risk*

	<b>Financial liabilities</b>	
	<b>measured at amortised cost</b>	
	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<b>Current financial liabilities</b>		
Trade and other payables	5,365,567	3,911,120
Bank borrowings	1,064,417	1,184,964
Bank overdraft	1,367,995	481,232
	<hr/>	<hr/>
	7,797,979	5,577,316
	<hr/>	<hr/>
<b>Non current financial liabilities</b>		
Loans and borrowings	-	200,000
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March 2012 (continued)

**19. FINANCIAL INSTRUMENTS (continued)**

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

	<b>Carrying amount</b>	<b>Contractual cash flow</b>	<b>6 months or less</b>	<b>6 – 12 months</b>	<b>1 or more years</b>
<b>2012</b>					
Secured bank loans	-	-	-	-	-
Bank overdrafts	1,367,995	1,367,995	1,367,995	-	-
Amounts due to invoice discounters	1,064,417	1,064,417	1,064,417	-	-
Trade and other payables	5,365,567	5,365,567	5,365,567	-	-
	<u>7,797,979</u>	<u>7,797,979</u>	<u>7,797,979</u>	<u>-</u>	<u>-</u>
<b>2011</b>					
Secured bank loans	-	-	-	-	-
Bank overdrafts	481,232	481,232	481,232	-	-
Amounts due to invoice discounters	1,184,964	1,184,964	1,184,964	-	-
Other loans	200,000	200,000	-	-	200,000
Trade and other payables	3,911,120	3,911,120	3,911,120	-	-
	<u>5,777,316</u>	<u>5,777,316</u>	<u>5,577,316</u>	<u>-</u>	<u>200,000</u>

*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 15.

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 £19,117 (2011: £14,030) higher and if 1% lower throughout the year the level of interest payable would have been lower by the same amount.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2012 (continued)

**19. FINANCIAL INSTRUMENTS (continued)***Foreign currency risk*

The Group's main foreign currency risk is the short term risk associated with accounts receivable and payable denominated in currencies that are not the subsidiaries functional currency. The risk arises on the difference in the exchange rate between the time invoices are raised/received and the time invoices are settled/paid. For sales denominated in foreign currencies the Group will try to ensure that the purchases associated with the sale will be in the same currency.

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

The following table shows the net liabilities exposed to exchange rate risk that the Group has at 31st March 2012:

	<b>2012</b> £	<b>2011</b> £
Trade receivables	1,493,259	911,100
Cash and cash equivalents	8,630	15,593
Trade payables	(1,822,195)	(1,199,923)
	<hr/>	<hr/>
	(320,306)	(273,230)
	<hr/>	<hr/>

There were also net liabilities of £7,660 in euros (2011: £7,422).

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 statement of financial position 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 statement of financial position date would have resulted in an estimated net decrease in pre-tax profit for the year and a decrease in net assets of approximately £32,000 (2011: £21,300) and the effect of a weakening of 10% in the rate of exchange in the currencies against sterling at the statement of financial position date would have resulted in an estimated net increase in pre-tax profit for the year and an increase in net assets of approximately £32,000 (2011: £21,300).

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31st March 2012 (continued)

**19. FINANCIAL INSTRUMENTS (continued)***Foreign currency risk (continued)*

At 31st March 2011 the Group had entered into agreement with its bankers to purchase US dollars as follows:

	\$	Rate
1st April 2011	200,000	1.5985
1st April 2011	100,000	1.6223
1st April 2011	200,000	1.6350
1st May 2011	50,000	1.5999
1st June 2011	150,000	1.6240
2nd June 2011	150,000	1.6150

At 31st March 2012 the Group had entered into agreement with its bankers to purchase US dollars as follows:

	\$	Rate
2nd April 2012	500,000	1.5601
1st May 2012	1,300,000	1.579
1st May 2012	500,000	1.5928
1st June 2012	500,000	1.5926

Applying the actual exchange rate at the statement of financial position date to these agreements gives rise to a liability of £19,521 at 31st March 2012 (2011: an asset of £3,128). In view of the immaterial nature of the prior year amount, no adjustment was made in the financial statements, but a full provision for the current year liability 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 2012 is shown below:

	<b>2012</b>	<b>2011</b>
	£	£
Cash and cash equivalents	(41,868)	(73,003)
Bank overdrafts	1,367,995	481,232
Invoice discounting advance	1,064,417	1,184,964
Medium term loans	-	200,000
Short term loans	300,000	-
	<hr/>	<hr/>
	2,620,544	1,793,193
	<hr/>	<hr/>
Share capital	339,572	307,826
Share premium account	925,234	756,980
Retained earnings	3,730,378	2,809,288
Capital redemption reserve	4,674	4,674
Foreign exchange reserve	-	59,834
	<hr/>	<hr/>
	4,999,858	3,938,602
	<hr/>	<hr/>
Gearing ratio	0.54	0.46



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March 2012 (continued)

**20. DEFERRED TAX**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances		
At 1 <sup>st</sup> April 2011	66,998	10,024
Acquisition of subsidiary	-	36,513
Charge for the year	25,688	25,600
Effect of tax rate change	(4,883)	(5,139)
	<hr/>	<hr/>
At 31 <sup>st</sup> March 2012	87,803	66,998
	<hr/>	<hr/>

Deferred tax rates are at 24% (2011: 26%) being the rate substantially enacted.

**21. SHARE CAPITAL**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Allotted issued and fully paid		
6,791,431 (2011: 6,156,511) ordinary shares of 5p each	339,572	307,826
	<hr/>	<hr/>

On 13th April 2011, a further 634,920 shares were been issued at 31.5p as a result of the exercise by G S Marsh and J M Lavery of share options.

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 2012 the number of shares covered by option agreements amounted to 389,291 (2011: 694,920).

**22. RESERVES**

Full details of movements in reserves are set out in the consolidated statement of changes in equity on page 14.

The following describes the nature and purpose of each reserve within owners' equity.

<b>Reserve</b>	<b>Description and Purpose</b>
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:

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
No later than 1 year	155,364	161,441
Later than 1 year and no later than 5 years	503,871	536,927
Later than 5 years	442,500	567,500
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March 2012 (continued)

**24. SHARE BASED PAYMENT**

The Group operates an approved Enterprise Management Incentive Scheme whereby Mr G S Marsh, Mr J M Lavery and Mr J L Macmichael have been granted options to purchase shares in Solid State PLC at a subscription price which was not less than the market value at the time the option was granted. The options in place at 31st March 2012 all have an exercise period of any time after one year from the date of the grant subject to certain criteria having been met. Full details are set out in Note 5 on pages 25 and 26.

On 13th April 2011, options over 634,920 shares were exercised by Mr G S Marsh and Mr J M Lavery. Details of the current options and further options granted since the statement of financial position date are stated in Note 5.

The share-based remuneration expenses amounted to £92,023 for the year (2011: £16,188).

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

## Equity settled share based payments

Option pricing model used	Black Scholes	Black Scholes	Black Scholes
Share price at grant date	62.0p	94.0p	99.5p
Exercise price	62.0p	94.0p	99.5p
Standard deviation	51%	53%	50%
Risk free interest rate	1.87%	2.16%	2.16%

The standard deviation is based on the 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 2012 (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 Steatite Blazepoint Limited and Steatite Limited which incorporates RZ Pressure and Wordsworth Technology Limited.

**Year ended 31st March 2012**

	<b>Distribution division £</b>	<b>Manufacturing division £</b>	<b>Head office £</b>	<b>Total £</b>
Revenue				
External	6,439,110	19,435,041	-	25,874,151
Intercompany	-	40,962	-	40,962
	6,439,110	19,476,003	-	25,915,113
Profit/(loss) before tax	493,518	1,709,874	(604,248)	1,599,144
<b>Balance sheet</b>				
Assets	2,659,115	10,569,158	25,029	13,253,302
Liabilities	(3,081,480)	(4,416,212)	649,443	(8,147,135)
Net assets/(liabilities)	(422,365)	6,152,946	(624,414)	5,106,167
<b>Other</b>				
Capital expenditure				
- Tangible fixed assets	159,664	319,123	-	478,787
- Intangible fixed assets	-	85,114	-	85,114
Depreciation, amortisation and other non cash expenses	57,119	147,843	34,064	239,026
Interest paid	17,706	26,222	23,680	67,608

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31st March 2012 (continued)

**25. SEGMENT INFORMATION (continued)**

**Year ended 31st March 2011**

	<b>Distribution division £</b>	<b>Manufacturing division £</b>	<b>Head office £</b>	<b>Total £</b>
Revenue				
External	4,669,690	16,499,618	-	21,169,308
Intercompany	-	237,600	-	237,600
	<hr/>	<hr/>	<hr/>	<hr/>
	4,669,690	16,737,218	-	21,406,908
	<hr/>	<hr/>	<hr/>	<hr/>
Profit/(loss) before tax	244,745	1,495,172	(496,421)	1,243,496
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance sheet</b>				
Assets	2,480,900	7,560,842	-	10,041,742
Liabilities	(3,134,021)	(2,836,133)	(132,986)	(6,103,140)
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets/(liabilities)	(653,121)	4,724,709	(132,986)	3,938,602
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other</b>				
Capital expenditure				
- Tangible fixed assets	172,870	318,522	-	491,392
- Intangible fixed assets	-	367,752	-	367,752
Depreciation, amortisation and other non cash expenses	54,666	74,428	-	129,094
Interest paid	32,091	21,059	-	53,150
	<hr/>	<hr/>	<hr/>	<hr/>

	<b>External revenue by location of customer</b>		<b>Total assets by location of assets</b>		<b>Net tangible capital expenditure by location of assets</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
United Kingdom	24,352,381	19,892,533	13,253,302	10,029,908	478,787	491,392
Ireland	172,762	154,736	-	-	-	-
Europe	1,069,359	846,851	-	11,834	-	-
North America	95,497	89,929	-	-	-	-
Asia	143,803	164,049	-	-	-	-
Africa	30,000	16,000	-	-	-	-
Australasia	10,089	4,646	-	-	-	-
South America	260	564	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	25,874,151	21,169,308	13,253,302	10,041,742	478,787	491,392
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

All the above relate to continuing operations.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31st March 2011 (continued)

**26. ACQUISITION DURING THE YEAR**

On 14th October 2011 the Group acquired the business and certain assets of Blazepoint Limited for a cash consideration of £200,000. The trade has been operated by Steatite Blazepoint Limited, a newly formed 100% subsidiary of Solid State PLC, and comprises the distribution, manufacture and maintenance of computer products.

**Analysis of the acquisition of the business and certain assets of Blazepoint Limited.**

	<b>Fair value to Group</b>
	<b>£</b>
Intangible fixed assets: computer software	77,000
Tangible fixed assets	190,000
Stock	200,000
Creditors	(106,713)
	_____
Net assets on acquisition	360,287
Gain on acquisition	(160,287)
	_____
Consideration	200,000
	_____
Discharged by:	
Cash	200,000
	_____

In addition to the purchase price, the Group incurred costs relating to the acquisition of £10,000. These are included in administrative expenses.

The revenue included in the Consolidated Statement of Comprehensive Income arising from Steatite Blazepoint Limited was £527,969 and the loss before taxation was £61,686.

The gain on acquisition is included separately in the statement of comprehensive income.

**COMPANY BALANCE SHEET**  
at 31st March 2012

	Notes	2012	2011
		£	£
<b>FIXED ASSETS</b>			
Investments	4	2,716,353	2,730,462
		<hr/>	<hr/>
		2,716,353	2,730,462
<b>CURRENT ASSETS</b>			
Debtors	5	1,167,049	1,424,712
Cash at bank and in hand		-	-
		<hr/>	<hr/>
		1,167,049	1,424,712
<b>CREDITORS: Amounts falling due within one year</b>	6	1,271,714	911,034
		<hr/>	<hr/>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(104,665)	513,678
		<hr/>	<hr/>
<b>NET ASSETS</b>		2,611,688	3,244,140
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	339,572	307,826
Share premium account	8	925,234	756,980
Capital redemption reserve	8	4,674	4,674
Profit and loss account	8	1,342,208	2,174,660
		<hr/>	<hr/>
<b>SHAREHOLDERS' FUNDS</b>		2,611,688	3,244,140
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 20th June 2012.

**P Haining**  
Director

**G S Marsh**  
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 2012

**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 2012 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 £471,235 (2011: £16,188) and comprised the share based payment expense of £92,023 and salary and related costs in respect of Mr G L Comben, Mr W G Marsh, Mr A B Frere, Mr G S Marsh and Mr P Haining. No other remuneration was paid by the Company. Details of directors' emoluments are given in note 5 to the Group financial statements.

**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
For the year ended 31st March 2012

**3. SHARE BASED PAYMENT**

The Group operates an approved Enterprise Management Incentive Scheme whereby Mr G S Marsh, Mr J M Lavery and Mr J L Macmichael have been granted options to purchase shares in Solid State PLC at a subscription price which was not less than the market value at the time the option was granted. The options in place at 31<sup>st</sup> March 2012 all have an exercise period of any time after one year from the date of the grant subject to certain criteria having been met. Full details are set out in Note 5 on pages 25 and 26.

On 11th April 2011, options of 634,920 shares were exercised by Mr G S Marsh and Mr J M Lavery. Details of the current options and further options granted since the statement of financial position date are stated in Note 5.

The share-based remuneration expenses amounted to £92,023 for the year (2011: £16,188).

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

Equity settled share based payments

Option pricing model used	Black Scholes	Black Scholes	Black Scholes
Share price at grant date	62.0p	94.0p	99.5p
Exercise price	62.0p	94.0p	99.5p
Standard deviation	51%	53%	50%
Risk free interest rate	1.87%	2.16%	2.16%

The standard deviation is based on the 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 2012 (continued)

**4. INVESTMENTS**

Company

	<b>Group undertakings £</b>
Cost	
1st April 2011	2,730,462
Addition	1,000
Disposal	(15,109)
	<hr/>
31st March 2012	2,716,353
	<hr/>
Net book value	
31st March 2012	2,716,353
	<hr/>
31st March 2011	2,730,462
	<hr/>

**Subsidiary undertakings**

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

<b>Subsidiary undertakings</b>	<b>Proportion of voting rights and Ordinary share capital held</b>	<b>Nature of business</b>
Solid State Supplies Limited	100%	Distribution of electronic components
Steatite Limited	100%	Distribution of electronic components and manufacture of electronic equipment
Steatite Blazepoint Limited	100%	Distribution, manufacture and maintenance of computer products.

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

	<b>2012 £</b>	<b>2011 £</b>
<b>5. DEBTORS</b>		
Amounts owed by Group undertakings	1,142,020	1,424,712
Other debtors	24,449	-
Prepayments	580	-
	<hr/>	<hr/>
	1,167,049	1,424,712
	<hr/>	<hr/>
<b>6. CREDITORS: Amounts falling due within one year</b>		
Bank overdraft (secured)	319,756	16,002
Amounts owed to Group undertakings	338,364	892,413
Other creditors	323,649	2,619
Accruals	289,945	-
	<hr/>	<hr/>
	1,271,714	911,034
	<hr/>	<hr/>

**NOTES TO THE COMPANY FINANCIAL STATEMENTS**

For the year ended 31st March 2012 (continued)

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

The Company has guaranteed bank borrowings of its subsidiary undertakings, Solid State Supplies Limited, Steatite Limited and Steatite Blazepoint Limited. At the year end the liabilities covered by those guarantees amounted to £1,048,239 (2011: £465,230). 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**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Allotted issued and fully paid 6,791,431 (2011: 6,156,511) ordinary shares of 5p each	339,572	307,826
	<hr/>	<hr/>

On 13th April 2011, a further 634,920 shares were been issued at 31.5p as a result of the exercise by G S Marsh and J M Lavery of share options.

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 2012 the number of shares covered by option agreements amounted to 389,291 (2011: 694,920).

**8. RESERVES**

	<b>Share premium account</b>	<b>Capital redemption reserve</b>	<b>Profit &amp; loss account</b>
1st April 2011	756,980	4,674	2,174,660
Issue of shares	168,254	-	-
(Loss) for the year	-	-	(587,857)
	<hr/>	<hr/>	<hr/>
Add: Share based expense	925,234	4,674	1,586,803
	-	-	92,023
	<hr/>	<hr/>	<hr/>
Dividend paid	925,234	4,674	1,678,826
	-	-	(441,443)
	<hr/>	<hr/>	<hr/>
31st March 2012	925,234	4,674	1,237,383
	<hr/>	<hr/>	<hr/>

The cumulative amount of goodwill which has been eliminated against reserves at 31st March 2012 is £30,000 (2011: £30,000).

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Solid State PLC will be held at 2, Ravensbank Business Park, Hedera Road Redditch B98 9EY, on 8th August 2012 at 11.00am for the following purposes:

### ORDINARY RESOLUTIONS

- (1) To receive and adopt the accounts for the year ended 31st March 2012, together with the reports of the Directors and auditors thereon. (Resolution 1)
- (2) To declare a final dividend of 4.75p per share. (Resolution 2)
- (3) To reappoint Gordon Leonard Comben, who retires by rotation, as a Director of the Company in accordance with the Company's Articles of Association. (Resolution 3)
- (4) To reappoint Anthony Brian Frere, who retires by rotation, as a Director of the Company in accordance with the Company's Articles of Association. (Resolution 4)
- (5) To reappoint haysmacintyre as auditors of the Company. (Resolution 5)
- (6) To authorise the Directors to fix the auditors' remuneration, (Resolution 6)
- (7) To pass the following resolution:

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

- i) comprising equity securities (as defined by section 560 of the Companies Act 2006) up to an aggregate nominal amount of £113,190.50 (which is 33% of the issued share capital) (such amount to be reduced by the nominal amount of any Relevant Securities allotted under paragraph (ii) below) in connection with an offer by way of a rights issue:
  - (a) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
  - (b) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and
- ii) in any other case, up to an aggregate nominal amount of £67,914.30 (which is 20% of the issued share capital) (such amount to be reduced by the nominal amount of any equity securities allotted under paragraph i) above, provided that this authority shall, unless renewed, varied or revoked by the Company, expire after a period of 18 months from the passing of this resolution or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities. (Resolution 7)

### SPECIAL RESOLUTIONS

- (8) To pass the following resolution:

That the Company is authorised to allot equity securities pursuant to resolution 7 above up to an aggregate nominal amount of £67,914.30, which is 20% of the issued share capital, as if Section 561 of the Companies Act 2006 (existing shareholders – right of pre-emption):

  - i) did not apply to the allotment; or
  - ii) applied to the allotment with such modifications as the Directors may determine provided that this authority shall, unless renewed, varied or revoked by the company, expire after a period of 18 months from the passing of this resolution save that the company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the authority conferred by the resolution has expired. (Resolution 8)

## NOTICE OF ANNUAL GENERAL MEETING (continued)

### SPECIAL RESOLUTIONS (continued)

- (9) To pass the following resolution:  
That the Company is, pursuant to Section 701 of the Companies Act 2006, hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693 of the Companies Act 2006) of ordinary shares of 5p each in the capital of the Company (“ordinary shares”) provided that:-
- i) the minimum price which may be paid for the ordinary shares is 5p per ordinary share;
  - ii) the maximum price that may be paid for such shares is, in respect of a share contracted to be purchased on any day, an amount (exclusive of all expenses) equal to 105 per cent of the average middle market quotations of the ordinary shares of the company as derived from the Daily Official List of the London Stock Exchange on the 10 dealing days immediately preceding the day on which the shares are contracted to be purchased;
  - iii) the authority hereby conferred shall expire after a period of 18 months from the passing of this resolution unless such authority is renewed prior to such expiry;
  - iv) the authority hereby conferred is in substitution for any existing authority to purchase ordinary shares under the said Section 701;
  - v) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will be executed wholly or partly after the expiry of such authority and may make a purchase or purchases of ordinary shares in pursuance of any such contract; and
  - vi) the maximum number of ordinary shares hereby authorised to be purchased by the Company does not exceed 15 per cent of the issued ordinary share capital of the Company at the date of the passing of this resolution. (Resolution 9)

### BY ORDER OF THE BOARD

**P Haining FCA**

*Director*

20th June 2012

*Registered office:*

Unit 2, Eastlands Lane, Paddock Wood, Kent, TN12 6BU

### NOTES:

#### 1. Proxies

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

#### 2. Documents on Display

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

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[www.solidstateplc.com](http://www.solidstateplc.com)