Solid State PLC
12 July 2007

SOLID STATE PLC

PRELIMINARY ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2007

CHAIRMAN'S STATEMENT

Results

The audited profit before tax of the Group was £465,000 (2006: loss of £79,000) on a turnover of £12,370,000 (2006: £10,452,000). The basic earning per share amounted to 6.0p (2006: a loss of 0.7p).

Dividends

The Directors recommend that a final dividend of 2p per share be paid. An interim dividend of 1p per share was paid in January 2007 giving a total dividend in respect of the year of 3p per share (2006: 0.5p per share). The final dividend will be paid on 6 August 2007 to shareholders on the register at the close of business on 20 July 2007.

Trading Review

The key performance indicators measured by management are sales and bookings.

Solid State Supplies

The continuing difficulties in the distribution market and the need to overcome the loss of three significant lines as reported previously are reflected in a fall in turnover from £3.999m (05/06) to £3.720m (06/07), a fall of 7.0%. However bookings rose from £3.599m (05/06) to £3.902m (06/07) a rise of 8.4%. Further franchises were added in the second half of our financial year as we work to strengthen our product offering in our key Aerospace and Defence, Connectivity and Industrial markets. We will continue our programme of reducing costs where considered appropriate.

Steatite and Wordsworth

Sales in Steatite were up 5.2% over the previous year while Wordsworth recorded a 26.4% increase in sales giving a combined increase of 14.8%. Bookings in Steatite were up 1.5% over the previous year. Bookings for Wordsworth are not available before January 2006 and therefore no year on year comparison can be made. Bookings in the period 1st January to 31st March 2007 amounted to £1.306m compared with £818,000 for the corresponding period in 2006.

The focus remains to follow the business strategy of demand creation for value added products, whilst introducing new products and franchises in Battery Technologies and Industrial Computing Platforms

Summary

The results for the year, which for the first time include a full year of the results of Wordsworth Technology Limited which was acquired in August 2005, show a considerable improvement in the Group's trading position compared with the previous year. However trading conditions remain difficult particularly in general electronic component distribution where business is lost through manufacturers moving their operations offshore to secure lower operating costs and a less oppressive regulatory regime.

Renewal of authority to purchase the Company's shares

Last year, resolutions were 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 will be proposed at the Annual General Meeting.

Under the terms of the resolution to be proposed at the Annual General Meeting, the maximum number of shares which may be purchased is 923,476 shares representing 15% of the issued Ordinary share capital of the Company. The minimum price payable by the Company for its Ordinary shares will be 35p and the maximum price will be 150p. The authority will automatically expire after a period of eighteen months from the passing of the resolution unless renewed.

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

Your Directors consider that the resolution to be proposed at the meeting is in the best interests of the Company and its shareholders. They unanimously recommend that all Ordinary shareholders vote in favour of the resolution at the Annual General Meeting as they intend to do in respect of their beneficial holdings amounting to 1,796,177 Ordinary shares, representing 29.18% of the Company's issued Ordinary share capital.

Conclusion

I would like to thank my fellow Directors and the staff in general for their continued support.

Peter Haining
Chairman
11 July 2007

MANAGING DIRECTOR'S REVIEW

In April 2006, the electronic components business was transferred from the holding company to a newly formed subsidiary company, Solid State Supplies Limited. At the same time the holding company was re-named Solid State PLC giving a more balanced structure with the holding company being non trading and with three active trading subsidiaries.

The directors regard the profit before tax of £465,000 as being a very pleasing result after the difficulties of the previous year and in particular the fourth quarter of the year under review was a very successful one.

The difficulties experienced in the electronic component distribution business to which reference was made last year continued to be a factor in the UK market during the year under review. The action taken to promote this part of the Group's activities has met with some success, with a 2% increase in turnover and 9% increase in bookings. Several new franchises and lines have been added and John MacMichael, who joined as a business development manager during last year, has now been appointed as a director of Solid State Supplies Limited with responsibility for commercial development of the distribution business. Action is being taken to reduce overheads at Solid State Supplies and the directors are confident that this division will return to profitability during the new financial year.

At Redditch, Steatite and Wordsworth Technology have had a successful year operating in the jointly run premises and contributed 73% of Group turnover compared with just over 60% in the previous year.

The introduction of the Restriction of Hazardous Substances regulations in July 2006 was handled smoothly at both locations and without any significant impact in the Group's results.

The Group invested £89,000 in research and development activities at Redditch to design new systems based products.

The Group holds or issues financial instruments to finance its operations. Operations are financed by a mixture of retained profits, bank borrowings, invoice discounting facilities and long term loans. Working capital requirements are met principally out of floating rate overdraft and retained profits. In addition, various financial instruments such as trade debtors and trade creditors arise directly from the Group's operations.

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

There has been a net investment of £139,000 in tangible fixed assets in the year. Net borrowing, including invoice discounting, at the balance sheet date was approximately £130,000 higher than at the same time last year mainly due to an enhanced working capital requirement following a busy trading period in the last weeks of the year: trade debtors at the balance sheet date were over £500,000 higher than at the end of the previous year. At all times during the year the Group has been able to work comfortably within its borrowing limits and the credit control function at both locations continues to operate efficiently.

The start of the new year has seen a relatively quiet period of trading after the busy fourth quarter of the previous year. However several significant contracts are expected to be awarded and after taking the necessary action to reduce overheads at Solid State Supplies the directors are confident of the Group's prospects for the current year. The directors continue to look for suitable acquisitions to further strengthen the operations of the Group.

Gary Marsh
Managing Director
11 July 2007

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CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31st March 2007

	2007 £	2006 £
Turnover	12,369,904	10,451,967
Cost of sales	(8,784,024)	(7,543,395)
GROSS PROFIT	3,585,880	2,908,572
Selling expenses and distribution costs	(1,356,520)	(1,215,522)
Administrative expenses	(1,653,936)	(1,694,956)
OPERATING PROFIT/(LOSS)	575,424	(1,906)
Other interest receivable and similar income	2,326	3,639
Interest payable	(113,133)	(80,897)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	464,617	(79,164)
Tax on profit/(loss) on ordinary activities	(94,865)	34,893
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	369,752	(44,271)
EARNINGS PER SHARE		
Basic	6.0p	(0.7p)
Diluted	6.0p	(0.7p)

All amounts relate to continuing activities.

CONSOLIDATED BALANCE SHEET
at 31 March 2007

	2007	2006
	£	£
FIXED ASSETS		
Intangible assets	1,569,325	1,660,878
Tangible assets	342,838	373,562
	1,912,163	2,034,440
CURRENT ASSETS		
Stocks	1,249,419	1,081,498
Debtors	2,365,117	1,863,854
Cash at bank and in hand	84,466	153,903
	3,699,002	3,099,255
CREDITORS: Amounts falling due within one year	3,058,370	2,560,981
NET CURRENT ASSETS	640,632	538,274
TOTAL ASSETS LESS CURRENT LIABILITIES	2,552,795	2,572,714
CREDITORS: Amounts falling due after more than one year	217,998	553,737
	2,334,797	2,018,977
CAPITAL AND RESERVES		
Called up share capital	307,826	307,826
Share premium account	756,980	756,980
Capital redemption reserve	4,674	4,674
Profit and loss account	1,265,317	949,497
SHAREHOLDERS' FUNDS	2,334,797	2,018,977

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2007

	2007	2006
	£	£
Net cash inflow from operating activities	177,086	1,216,366
Return on investments and servicing of finance:		
Interest received	2,326	3,639
Other interest paid	(113,133)	(80,897)
Net cash (outflow)/inflow from return on investments and servicing of finance	(110,807)	(77,258)
Taxation		
Corporation tax paid	(39,955)	(185,253)
Corporation tax repaid	42,112	-
Net cash inflow/(outflow) from corporation tax	2,157	(185,253)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(188,808)	(145,093)
Receipts from sales of tangible fixed assets	49,444	43,957
Net cash outflow from capital expenditure and financial investment	(139,364)	(101,136)
Acquisitions and disposals		
Purchase of business operation	-	(1,833,167)
Net cash acquired with subsidiary	-	234,977
Net cash outflow from acquisitions and disposals	-	(1,598,190)
Dividends paid	(61,565)	(153,912)
Net cash outflow before financing	(132,493)	(899,383)
Financing		
Medium term loan received	-	500,000

Repayments of medium term loan: capital element	(262,270)	(138,429)
Invoice discounting finance received/(paid)		
(net movement)	(142,730)	501,566
Net cash inflow/(outflow) from financing	(405,000)	863,137
Decrease in cash	(537,493)	(36,246)

NOTES

1. The attached preliminary announcement is prepared on the same basis as set out in the previous year's annual accounts and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985; the statutory accounts for the year ended 31 March 2007 upon which an unqualified audit opinion has been given and which did not contain a statement under Section 235, 237(2) or 237(3) of the Companies Act 1985, will be delivered to the Registrar of Companies at a later date. A duly appointed and authorised committee of the Board of Directors approved the preliminary announcement.

2. CHANGES TO ACCOUNTING POLICIES

The group has adopted FRS 20 'Share based payment'. FRS 20 'Share based payment' requires the recognition of share-based payments at fair value at the date of grant. Prior to the adoption of FRS20, the group recognised the financial effect of the share based payment in the following way: when shares and share options were awarded to employees a charge was made to the profit and loss account based on the difference between the market value of the company's shares at the date of grant and the option exercise price in accordance with UITF Abstract 17 (revised 2003) 'Employee Share Schemes.' The credit entry for this charge was taken to the profit and loss reserve and reported in the reconciliation of movements in shareholders' funds.

In accordance with transitional provisions of FRS 20, the standard was applied retrospectively to all grants of equity instruments after 7th November 2002 that were unvested as of 1st April 2006, and to liabilities for share-based transactions existing at 1st April 2006.

For 2006 the change in accounting policy has resulted in a net increase in the loss for the year of £19,103. For 2007 the impact of share-based payments is a net charge to income of £7,633. The share-based payments expense has been included in administrative expenses. There has been no impact on the net assets of the Group or the Company.

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2007 £	2006 £
Depreciation	152,240	150,860
Loss on disposal of fixed assets	17,847	17,453
Amortisation of goodwill	91,553	71,062
Auditors' remuneration:		
Audit services	43,794	35,406
Non-audit services	8,818	24,498
Operating lease rentals:		
Plant and machinery	26,981	25,429
Other	128,881	123,421
Research & development	89,448	10,123
Foreign exchange gains	(72,824)	(67,184)
Employment termination costs	6,127	33,688
Relocation expenses: Wordsworth Technology Limited	-	89,918
Ex gratia payment to former director	-	30,000

Included in audit fees is an amount of £1,000 (2006: £15,349) in respect of the Company. Additional non-audit services in relation to a corporate finance transaction for a proposed acquisition were £8,818 (2006: £24,498) and have been carried forward and will be capitalised and added to the goodwill figure on consolidation.

The relocation expenses for Wordsworth Technology Limited of £89,918 represents the costs, mainly staff termination costs, arising from the relocation of its business from Edenbridge in Kent to the Steatite Limited premises at Redditch in Worcestershire.

4. DIVIDENDS

	2007 £	2006 £
Final dividend paid for the prior year of nil per share (2006: 2p)	-	123,130
Interim dividend paid of 1p per share (2006: 0.5p)	61,565	30,782
	61,565	153,912
Final dividend proposed for the year 2p per share (2006: nil)	123,130	-

5. EARNINGS PER SHARE

	2007 £	2006 (as restated) £
The earnings per share is based on the following:		
Earnings	369,752	(44,271)
Weighted average number of shares	6,156,511	6,156,511
Diluted number of shares	6,156,511	6,156,511
Earnings per share	6.0p	(0.7)p
Diluted earnings per share	6.0p	(0.7)p

Earnings per ordinary share has been calculated using the weighted average number of shares in issue during the year. The weighted average number of equity shares in issue was 6,156,511 (2006: 6,156,511).

The Diluted earnings per share is based on 6,156,511 (2006: 6,156,511) ordinary shares which allow for the exercise of all dilutive potential ordinary shares.

6. The Annual Report will be sent to shareholders on 16 July 2007 and made available to the public at the registered office of the Company at Unit 2, Eastlands Lane, Paddock Wood, Kent, TN12 6BU.