SOLID STATE PLC

www.solidstateplc.com

Annual Report & Accounts

31st March 2014

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DIRECTORS, SECRETARY AND ADVISERS

Directors:	Anthony Brian Frere, *Chairman* Gary Stephen Marsh, *Chief Executive Officer* Gordon Leonard Comben, *Director* Peter Haining, FCA, *Finance Director* John Michael Lavery, *Director* John Lawford Macmichael, *Director* William George Marsh, *Director*
Company Secretary and Registered Office:	Peter Haining, FCA Solid State PLC 2 Ravensbank Business Park Hedera Road Redditch B98 9EY
Company Number:	00771335
Nominated Adviser:	W H Ireland Limited 24 Martin Lane London WC4R 0DR
Broker:	W H Ireland Limited 4 Colston Avenue Bristol BS1 4ST
Auditors:	haysmacintyre 26 Red Lion Square London WC1R 4AG
Solicitors:	Shakespeares Somerset House Temple Street Birmingham B2 5DJ
Bankers:	HSBC plc 70 Pall Mall London SW1Y 5EX
Registrars:	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Country of Incorporation of Parent Company:	Great Britain
Legal Form:	Public Limited Company
Domicile:	Great Britain

CHAIRMAN'S STATEMENT AND STRATEGIC REPORT

Highlights in the period include:

Financial:

	2014	2013	Change
Turnover	£32.09m	£31.50m	+2%
Profit before tax	£2.15m	£1.87m*	+15%
Earnings per share (basic)	25.3p	21.8p	+16%
Gross profit margin	29.2%	26.1%	+310bps
Operating margin	6.9%	6.2%*	+70bps
Dividend	8.5p	8.0p	+6%

*Before exceptional items of £0.1m in FY12/13

Operational:

- Acquisition of Q-Par Angus Ltd in May 2013 for £1.001m
- £1.8m secure communications contract with MOD
- Acquisition of 2001 Electronic Components Ltd for £1.974m in December 2013
- Oversubscribed placing to raise £2.54m
- Expansion of higher margin ancillary services offering
- Development of proprietary products range
- Open order book at 30th April 2014 of £14.7m (30th April 2013: £10.4m)

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

"I am pleased to report on a landmark year for Solid State, having made two successful acquisitions and completed an oversubscribed placing to raise £2.54m. These events have added new colleagues, clients and institutional shareholders to the Group who we welcome and look forward to working with going forward.

"Each strategic step strengthens Solid State in niche product areas and ultimately builds scale in our business. This strengthened market position has increasingly presented new products and market opportunities to the Group which is, in turn, driving a strong sales pipeline and building momentum.

"The Board remains confident in the growth strategy and is optimistic about the Group's prospects."

Financial Review

I would like to start by expressing my thanks on behalf of the Board to Gordon Comben for his leadership as Chairman of Solid State over the last two years. He hands over a business that has a strong management team and I look forward to continuing his good work in driving the business forward.

It gives me great pleasure therefore, in my first annual results statement as Chairman of Solid State, to report that the Group has delivered a fourth consecutive year of record results, demonstrating the success of both our organic and acquisitive growth strategies.

Revenues increased by 2% to £32.09m (2013: £31.50m). The Group benefited from the additional revenue from acquisitions in May 2013 and December 2013, however we must recognise that the revenue in the period from the acquisition of 2001 Electronic Components Ltd was restricted to three months. On a comparative basis, the financial year 12/13 was flattered by an export order for £3.5m shipped in FY12/13 that did not repeat last year. Future periods will represent a more normalised comparison.

Revenue by division was represented by a contribution of £22.19m by the Steatite division, which includes an 11 month contribution from Q-Par of £2.64m, and £9.9m by the Solid State Supplies division, which includes a three month contribution from 2001 Electronic Components Ltd of £2.12m.

CHAIRMAN'S STATEMENT AND STRATEGIC REPORT (continued)

Profit before tax rose by 15% to £2.15m (2013: £1.87m). As reported at the half year stage, there was a second half bias to the results. This is typical for the Group however the acquisition of 2001 Electronic Components Ltd will moderate that effect in future years.

Margins vary with order size and product mix however in overall terms the Group commands good gross margins due to the value added nature of its offering. Pleasingly, Group gross margins increased to 29.2% (2013: 26.1%).

Operating margins increased to 6.9% (2013: 6.2%), with earnings per share rising by 16% to 25.3p (2013: 21.8p) despite an increase in the shares in issue principally as a result of the placing in December 2013.

The balance sheet strengthened significantly during the period following the two acquisitions and the fundraising. Total net assets grew by 66% to £10.4m (2013: 6.3m) with net gearing levels reducing to 23% (2013: 37%)

Dividends
We have continued our stated policy of offering our shareholders a progressive dividend whilst ensuring we retain a prudent level of dividend cover. Dividends were 2.98 times covered in 2014 (2013: 2.73 times). The Board is recommending a final dividend of 5.75p. An interim dividend of 2.75p per share was paid on 31st January 2014 giving a total dividend for the year of 8.5p per share, a 6% increase on the prior year (2013: 8.0p). The final dividend will be paid on 2nd September 2014 to shareholders on the register at the close of business on 8th August 2014. The shares will go ex-dividend on 6th August 2014.

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

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

Divisional Review

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

Steatite has performed well during the year delivering a 3% growth in profit margin, continuing the significant progress made over the past few years.

Steatite has benefited from gaining market share in new sectors due to the breadth and technical depth of our business. In addition, the division has continued to attract new supply partners from around the world whilst continuing to focus on new product development and the introduction of new market leading products to the range.

The organic growth in our new range of communications systems has contributed well and will continue to play a key role in the next fiscal period. This a sector where we see considerable opportunities for developing our range of higher margin proprietary products and growing market share.

The business is well resourced to benefit from the growing pipeline of new opportunities in markets such as Oil & Gas, Transport, Security and from Government agencies, who have publicly stated their strategy of increasing their supply contracts with the SME sector.

Steatite is well positioned to accelerate growth as conditions continue to improve, enhancing its position as one of the leading UK suppliers of electronic equipment and further extending its reach into export markets.

CHAIRMAN'S STATEMENT AND STRATEGIC REPORT (continued)

Q-Par Angus Ltd (Q-Par)
Q-Par, acquired in May 2013, is at the forefront of antenna design and manufacture. The company excels in the research, design and manufacture of commercial grade and bespoke microwave antennas, subsystems and associated microwave components.

Since its acquisition, Q-Par has exceeded our expectations. The transition and restructure of the business under new management has resulted in record turnover during its 11 month contribution to this period, which was correspondingly matched by record profits. Q-Par adds significant margin enhancement to the Group due to the high end technical solutions it offers its growing customer base.

The focus on, and development of, key market areas continues to provide opportunities with export markets continuing to perform well through an enhanced network of agents throughout the world. New product introductions and development have positioned Q-Par for another strong period ahead. Further investment will see Q-Par developing its position as an industry leader in antenna design and manufacture.

Solid State Supplies (Including 2001 Electronic Components 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.

This was another strong year of trading for Solid State Supplies with organic growth outstripping the industry association reported numbers for the fifth year in a row. With all major franchises performing well, the company continues to focus on its key differentiating strengths of providing high levels of engineering support and value added services to its expanding client list. Both of these areas have been further strengthened in the year.

The latter part of FY13/14 saw the company execute on its plan to introduce own brand product with prototype volumes of communications upgrade converters (HART protocol) now in the hands of key customers for evaluation. The company expects to see limited revenues with gross margins above the company average from these products in FY14/15 with the range expanding and sales increasing towards the end of the year.

After several years of looking for a complementary acquisition for the distribution business, the Group completed the acquisition of 2001 Electronic Components Ltd (2K1) on 31st December 2013. This acquisition has added strength and depth to the product offering, the sales team and the engineering support teams. The acquisition positions Solid State Supplies as a midsize distributor now operating in a much less crowded space with a very strong customer focused infrastructure. As a result, Solid State Supplies is already competing for much larger contracts than it had previously seen and is engaging with new companies that have not traded with Solid State Supplies before.

The company enjoyed a particularly strong fourth quarter driven by organic growth and capitalising on the acquisition of 2K1. During this period, 2K1 traded independently under the leadership of the distribution division with organic order intake up more than 50% on the comparable period of the previous year. As of 1st April 2014, 2K1 was successfully integrated into the Solid State Supplies division with both companies trading as a single entity.

Increased sales and realised savings are expected to result in a strong performance for the 2014/15 financial year.

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 AND STRATEGIC REPORT (continued)

Outlook
Having successfully completed seven acquisitions in the last twelve years the Group will continue its stated strategy of both organic and acquisitive growth. We will proactively continue to look for acquisitions that offer both synergy and market opportunities, enhancing our product range and engineering capacity.

Solid State has built a reputation for an innovative approach to product development and client partnerships. This approach presents opportunities for further growing market share, particularly in export markets and niche applications.

The order backlog at 30th April 2014 stood at £14.7m, which compares favourably to the same position last year (30th April 2013: £10.4m), and gives a solid starting position coming into the new financial year.

Our strong pipeline of new designs across a wide range of products and markets enable us to look with confidence to the year ahead.

Tony Frere
Chairman
7th July 2014

DIRECTORS' REPORT
For the year ended 31st March 2014

The Directors submit their report together with the audited financial statements of the Group in respect of the year ended 31st March 2014.

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

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

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

Directors
The Directors of the Company during the year were:
A B Frere
G S Marsh
G L Comben
P Haining, FCA
J M Lavery
J L Macmichael
W G Marsh

Tony Frere (dob 15/10/1947), Chairman
Tony Frere has been in the Electronics Industry for 40 years, 30 of which serving the component distribution sector. Former directorships include Managing Director of DT Electronics and Nu Horizons Electronics. Currently sitting on the executive council of the ECSN (the electronic component supply network trade association), and in 2013 was appointed as Deputy Chairman, and was appointed as chairman in April 2014.

Gary Marsh, (dob 27/04/1966), Chief Executive Officer
Gary Marsh joined the Company in 1986 having gained an HND in Business and Finance Studies. He has held various positions within the Group including that of Operations Director of Solid State Supplies prior to his appointment as its Managing Director in 1997. In addition to this role, Gary Marsh was appointed Group Managing Director in 2002 following the acquisition of Steatite. In 2011 following the acquisition of Rugged Systems Ltd he was appointed Chief Executive Officer of the Group.

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, having stood down as chairman in April 2014.

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 Limited. and Q-Par Angus Limited. on behalf of Solid State plc.

DIRECTORS' REPORT
For the year ended 31st March 2014 (continued)

John Macmichael, (dob 20/04/1961), Director
John Macmichael is an electronics and communications graduate whose career has encompassed design and development through applications engineering, sales, sales management and general business management. John has gained extensive management experience of multiple sales channels with distributors and OEMs both here in the UK and worldwide through his international sales management role whilst living in the USA. Formerly managing director of Breckenridge Technologies Limited John joined Solid State Supplies Limited in 2006 before being appointed managing director in April 2011. He presently runs the operations of Solid State Supplies Limited on behalf of Solid State PLC.

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 the UK Corporate Governance Code which was issued by the Financial Reporting Council in May 2010. 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 up to 15% of the issued ordinary shares under authority given by a resolution at the Annual General Meeting on 7th August 2013 This authority expires on 7th February 2015.

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

DIRECTORS' REPORT
For the year ended 31st March 2014 (continued)

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

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

Statement of Directors' Responsibilities
The Directors are responsible for keeping proper accounting records 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
Under company law the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that period.

In preparing the financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, changes in Accounting Estimates and Errors and then apply them consistently.

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and

- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

- 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 accounting estimates that are reasonable and prudent.

DIRECTORS' REPORT
For the year ended 31st March 2014 (continued)

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

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

Under the terms of the resolution to be proposed at the Annual General Meeting, the maximum number of shares which may be purchased is 1,234,608 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 4,451,375 Ordinary shares, representing 54.1% of the Company's issued Ordinary share capital.

Auditors
Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as that Director is aware , there is no relevant audit information of which the company's auditors are unaware, and
- that Director has taken all steps that ought to have been taken as a Director in order to be aware of any information needed by the auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

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

By order of the Board
P Haining FCA
Secretary
7th July 2014

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

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

We have audited the financial statements of Solid State PLC for the year ended 31st March 2014 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
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 and the Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information which is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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.

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

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

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

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
7th July 2014

26 Red Lion Square
London WC1R 4AG

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st March 2014

	Notes	**2014** £	**2013** £
Revenue	2	32,085,432	31,494,977
Cost of sales		(22,728,639)	(23,260,519)
GROSS PROFIT		9,356,793	8,234,458
Distribution costs		(2,843,505)	(2,517,975)
Administrative expenses		(4,287,653)	(3,872,384)
PROFIT FROM OPERATIONS	3	2,225,635	1,844,099
Finance costs	6	(71,926)	(73,666)
PROFIT BEFORE TAXATION		2,153,709	1,770,433
Tax expense	7	(277,640)	(283,355)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		1,876,069	1,487,078
OTHER COMPREHENSIVE INCOME Translation differences on overseas operations		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,876,069	1,487,078

EARNINGS PER SHARE			
Basic	8	25.3p	21.8p
Diluted	8	25.2p	21.1p

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 2014

	Share Capital	Share Premium Reserve	Capital Redemption Reserve	Retained Earnings	Total
Balance at 31st March 2012	339,572	925,234	4,674	3,836,687	5,106,167
Total comprehensive income For the year ended 31st March 2013	-	-	-	1,487,078	1,487,078
Issue of new shares	9,030	148,170	-	-	157,200
Share based payment expense	-	-	-	44,445	44,445
Dividends	-	-	-	(513,857)	(513,857)
Balance at 31st March 2013	348,602	1,073,404	4,674	4,854,353	6,281,033
Total comprehensive income For the year ended 31st March 2014	-	-	-	1,876,069	1,876,069
Issue of new shares	62,934	2,555,344	-	-	2,618,278
Share based payment expense	-	-	-	235,056	235,056
Dividends	-	-	-	(603,333)	(603,333)
Balance at 31st March 2014	411,536	3,628,748	4,674	6,362,145	10,407,103

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

Company Number: 00771335

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31st March 2014

	Notes	2014 £	2014 £	2013 £	2013 £
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	10		1,059,486		914,949
Intangible assets	11		4,935,500		2,396,702
TOTAL NON-CURRENT ASSETS			5,994,986		3,311,651
CURRENT ASSETS					
Inventories	14	4,574,590		3,056,735	
Trade and other receivables	15	10,438,159		7,172,750	
Corporation tax receivable		45,785		-	
Cash and cash equivalents		685,401		1,097,972	
TOTAL CURRENT ASSETS			15,743,935		11,327,457
TOTAL ASSETS			21,738,921		14,639,108
LIABILITIES					
CURRENT LIABILITIES					
Bank overdraft		1,894,719		2,496,945	
Trade and other payables	16	7,489,992		4,714,450	
Bank borrowings	17	1,143,758		905,522	
Corporation tax liabilities		397,996		189,730	
TOTAL CURRENT LIABILITIES			10,926,465		8,306,647
NON CURRENT LIABILITIES					
Trade and other payables	18	11,269		-	
Deferred tax liability	20	224,084		51,428	
Provision for liabilities	21	170,000			
TOTAL NON-CURRENT LIABILITIES			405,353		51,428
TOTAL LIABILITIES			11,331,818		8,358,075
TOTAL NET ASSETS			10,407,103		6,281,033
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
Share capital	22		411,536		348,602
Share premium reserve	23		3,628,748		1,073,404
Capital redemption reserve	23		4,674		4,674
Retained earnings	23		6,362,145		4,854,353
TOTAL EQUITY			10,407,103		6,281,033

The financial statements were approved by the Board of Directors and authorised for issue on 7th July 2014 and were signed on its behalf by:

G S Marsh, *Director* **P Haining,** *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 2014

	2014		2013	
	£	£	£	£
OPERATING ACTIVITIES				
Profit before taxation		2,153,709		1,770,433
Adjustments for:				
Depreciation		243,487		232,045
Amortisation		105,190		43,773
Loss on disposal of property, plant and equipment		1,593		3,978
Share based payment expense		235,056		44,445
Finance costs		71,926		73,666
Profit from operations before changes in working capital and provisions		2,810,961		2,168,340
(Increase)/decrease in inventories	(622,830)		5,270	
(Increase) in trade and other receivables	(1,197,887)		(300,070)	
Increase/ (decrease) in trade and other payables	1,053,543		(651,117)	
Increase in provisions	170,000		-	
		(597,174)		(945,917)
Cash generated from operations		2,213,787		1,222,423
Income taxes paid	(189,730)		(391,353)	
Income taxes recovered	28,320		-	
		(161,410)		(391,353)
Cash flow from operating activities		2,052,377		831,070
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(403,487)		(313,885)	
Purchase of computer software	(7,725)		(14,896)	
Proceeds of sales from property, plant and equipment	98,152		14,083	
Consideration paid on acquisition of subsidiaries	(2,974,029)		-	
Cash with subsidiaries over which control has been obtained	651,094			
		(2,635,995)		(314,698)
		(583,618)		516,372
FINANCING ACTIVITIES				
Issue of ordinary shares	2,618,278		157,200	
Invoice discounting finance (net movement)	(1,169,746)		(158,895)	
Interest paid	(71,926)		(73,666)	
Dividend paid to equity shareholders	(603,333)		(513,857)	
		773,273		(589,218)
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		189,655		(72,846)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31st March 2014 (continued)

Cash and cash equivalents comprise:

	2014 £	2013 £
Net/ increase/decrease in cash and cash equivalents	189,655	(72,846)
Cash and cash equivalents at beginning of year	(1,398,973)	(1,326,127)
Exchange gains on cash and cash equivalents	-	-
Cash and cash equivalents at end of year	(1,209,318)	(1,398,973)

There were no significant non-cash transactions.

	2014 £	2013 £
Cash available on demand	685,401	1,097,972
Overdrafts	(1,894,719)	(2,496,945)
	(1,209,318)	(1,398,973)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014

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 2014 (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.

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

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

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 2014 (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 2013 and 31st March 2014 met the conditions necessary for capitalisation.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014 (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 2014 (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 or after 1st January 2018). IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities.

IAS 36 Impairment of Assets (effective for accounting periods beginning on or after 1st January 2014) IAS 36 prescribes the accounting treatment to ensure that assets are carried at no more than their recoverable amount and to define how the recoverable amount is determined.

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

2. REVENUE

Revenue arises from:

	2014 £	2013 £
Sale of goods	31,978,134	31,398,608
Provision of services	107,298	96,369
	32,085,432	31,494,977

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014 (continued)

3. PROFIT FROM OPERATIONS

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

	2014 £	2013 £
Staff costs (see note 4)	5,363,470	4,653,153
Employment termination costs (included in staff costs)	106,454	18,566
Depreciation of property, plant and equipment	243,487	232,045
Amortisation of computer software and other intangible assets	105,190	43,773
Loss on disposal of property, plant and equipment	1,593	3,978
Auditors' remuneration:		
Audit fees	6,000	3,000
Audit of accounts of associates of the company pursuant to legislation	52,250	36,000
Non audit fees: taxation advisory services	5,650	-
services relating to corporate finance transactions	22,850	-
Operating lease rentals:		
Plant and machinery	61,384	31,991
Other	227,501	304,617
Research and development costs	484,897	316,054
Foreign exchange differences	43,213	(133,926)
Stock write downs	273,000	252,000

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

4. STAFF COSTS

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

	2014 £	2013 £
Wages and salaries	4,759,590	4,188,647
Social security costs	548,652	444,528
Other pension costs	55,228	19,978
	5,363,470	4,653,153

Wages and salaries include termination costs of £106,454 (2013: £18,566)

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

	2014 Number	2013 Number
Selling and distribution	36	34
Manufacturing	49	37
Management and administration	53	43
	138	114

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014 (continued)

5. DIRECTORS' EMOLUMENTS, INTERESTS AND SERVICES CONTRACTS

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

	Salary/ Fees	Bonuses	Benefits in kind	Total emoluments	Pension contributions	Total
	£	£	£	£	£	£
31st March 2014						
W G Marsh	50,000	-	20,000	70,000	-	70,000
G S Marsh	162,000	30,000	25,000	217,000	1,000	218,000
J M Lavery	150,000	70,000	21,000	241,000	8,000	249,000
J L Macmichael	120,000	-	19,000	139,000	3,000	142,000
P Haining	60,000	-		60,000	-	60,000
G L Comben	50,000	-	14,000	64,000	-	64,000
A B Frere	12,000	-	-	12,000	-	12,000
Total	604,000	100,000	99,000	803,000	12,000	815,000
31st March 2013						
W G Marsh	49,000	-	19,000	68,000	-	68,000
G S Marsh	160,000	30,000	24,000	214,000	12,000	226,000
J M Lavery	150,000	30,000	20,000	200,000	9,000	209,000
J L Macmichael	120,000	30,000	20,000	170,000	9,000	179,000
P Haining	59,000	-	-	59,000	-	59,000
G L Comben	49,000	-	18,000	67,000	-	67,000
A B Frere	7,000	-	-	7,000	-	7,000
Total	594,000	90,000	101,000	785,000	30,000	815,000

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

In addition to the above, fees totalling £40,518 (2013: £26,198) 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 £7,440(2013: £8,218) was due to The Kings Mill Partnership at 31st March 2014.

Fees totalling £39,249 (2013: £44,507) arose during the year in respect of the services of A B Frere provided by Condev Limited. A balance of £3,825 (2013: £3,943) was due to Condev Limited at 31st March 2014.

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 7th July 2014 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 2014 and 31st March 2013 or date of appointment if later, were as follows:

	07.07.14	31.03.14	31.03.13
G L Comben	1,900,000	1,900,000	2,000,000
W G Marsh	1,300,000	1,300,000	1,438,000
G S Marsh	511,813	511,813	391,192
J M Lavery	438,966	438,966	438,498
P Haining	52,500	52,500	52,500
J L Macmichael	142,096	142,096	54,000
A B Frere	106,000	106,000	106,000

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014 (continued)

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

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

	Options held at 01.04.13	Exercised	Granted	Options held at 31.03.14	Exercise price	Date of grant	Exercise period
G S Marsh	120,603	120,603	-	-	99.5p	10.05.11	May 2012- March 2016
	-	-	42,000	42,000	5p	07.08.13	August 2014 onwards
	-	-	36,400	36,400	5p	07.08.13	August 2015 onwards
	-	-	31,600	31,600	5p	07.08.13	August 2016 onwards
J M Lavery	-	-	42,000	42,000	5p	07.08.13	August 2014 onwards
	-	-	36,400	36,400	5p	07.08.13	August 2015 onwards
	-	-	31,600	31,600	5p	07.08.13	August 2016 onwards
J L Macmichael	88,085	88,085	-	-	94p	01.04.11	April 2012 onwards
	-	-	42,000	42,000	5p	07.08.13	August 2014 onwards
	-	-	36,400	36,400	5p	07.08.13	August 2015 onwards
	-	-	31,600	31,600	5p	07.08.13	August 2016 onwards

The market price of the shares at 31st March 2014 was £3.44 (2013: £2.19), with a quoted range during the year of £2.02 to £3.78

All the options at 31st March 2014 are subject to performance criteria based on the year ended 31st March 2014, 31st March 2015 and 31st March 2016 respectively, although the options are non cumulative. They vest in three tranches based on performance criteria over the three years. The market value at the date of grant was £2.38.

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

The aggregate gain on exercise of share options in the year was £277,183.

On 12th December 2013, G L Comben made a loan of £600,000 to the group. The loan was interest free and was repaid on 13th February 2014.

6. FINANCE COSTS

	2014 £	2013 £
Bank borrowings	41,301	50,320
Invoice discounting interest	29,715	18,575
Other interest	910	4,771
	71,926	73,666

Other interest includes £Nil (2013: £4,001) to G L Comben and £Nil (2013: £770) 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 31.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014 (continued)

7. TAX EXPENSE

	2014 £	2013 £
Current tax expense		
UK corporation tax on profits or losses for the year	265,715	319,730
Adjustment in respect of prior periods	(26,389)	-
	239,326	319,730
Deferred tax charge/(credit)	38,314	(36,375)
Total tax charge	277,640	283,355

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:

	2014 £	2013 £
Profit before tax	2,153,709	1,770,433
Expected tax charge based on the standard rate of corporation tax in the UK of 23% (2013 – 24%)	495,353	424,904
Effect of:		
Expenses not deductible for tax purposes	24,365	15,702
Deductible expenses not charged in Group accounts	(7,926)	(4,900)
Difference between depreciation for the year and capital allowances	(1,002)	4,793
Tax relief on exercise of share options at less than market value	(63,752)	(54,677)
Timing difference on recognition of gain on acquisition for tax purposes	-	(3,651)
Marginal relief	(1,800)	(4,000)
Enhanced relief on research and development expenditure	(166,031)	(94,816)
Deferred tax credit arising on change of tax rate	(1,567)	-
Total tax charge	277,640	283,355

8. EARNINGS PER SHARE

The earnings per share is based on the following:

	2014 £	2013 £
Earnings	1,876,069	1,487,078
Weighted average number of shares	7,412,343	6,835,502
Diluted number of shares	7,431,867	7,166,123
Earnings per share	25.3p	21.8p
Diluted earnings per share	25.2p	21.1p

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 7,412,343 (2013: 6,835,502).

The diluted earnings per share is based on 7,431,867 (2013: 7,166,123) ordinary shares which allow for the exercise of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014 (continued)

9. DIVIDENDS

	2014 £	2013 £
Final dividend paid for the prior year of 5.25p per share (2013: 4.75p)	376,988	325,443
Interim dividend paid of 2.75p per share (2013: 2.75p)	226,345	188,414
	603,333	513,857
Final dividend proposed for the year 5.75p per share (2013: 5.25p)	473,267	366,032

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 2014 (continued)

10. PROPERTY, PLANT AND EQUIPMENT

	Short leasehold property improvements £	Motor vehicles £	Fittings equipment and computers £	Total £
Year ended 31st March 2013				
Cost				
1st April 2012	218,676	531,205	1,244,635	1,994,516
Additions	109,240	118,380	86,265	313,885
Disposals	(20,617)	(41,324)	-	(61,941)
31st March 2013	307,299	608,261	1,330,900	2,246,460
Depreciation				
1st April 2012	43,333	173,345	926,668	1,143,346
Charge for the year	37,476	105,224	89,345	232,045
On disposal	(20,617)	(23,263)	-	(43,880)
31st March 2013	60,192	255,306	1,016,013	1,331,511
Net book value				
31st March 2013	247,107	352,955	314,887	914,949

	Short leasehold property improvements £	Motor vehicles £	Fittings equipment and computers £	Total £
Year ended 31st March 2014				
Cost				
1st April 2013	307,299	608,261	1,330,900	2,246,460
Additions	2,900	371,951	28,636	403,487
Acquisition of subsidiaries	-	18,132	66,150	84,282
Disposals	(11,800)	(241,761)	(11,750)	(265,311)
31st March 2014	298,399	756,583	1,413,936	2,468,918
Depreciation				
1st April 2013	60,192	255,306	1,016,013	1,331,511
Charge for the year	30,238	109,237	104,012	243,487
On disposal	(11,800)	(150,116)	(3,650)	(165,566)
31st March 2014	78,630	214,427	1,116,375	1,409,432
Net book value				
31st March 2014	219,769	542,156	297,591	1,059,486

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014 (continued)

11. INTANGIBLE ASSETS

	UN Licences £	Computer software £	Goodwill on consolidation £	Other intangible assets £	Total £
Year ended 31st March 2013					
Cost					
1st April 2012	9,800	141,203	2,206,278	140,434	2,497,715
Additions	-	14,896	-	-	14,896
31st March 2013	9,800	156,099	2,206,278	140,434	2,512,611
Amortisation					
1st April 2012	-	44,050	-	28,086	72,136
Charge for the year	-	29,730	-	14,043	43,773
31st March 2013	-	73,780	-	42,129	115,909
Net book value					
31st March 2013	9,800	82,319	2,206,278	98,305	2,396,702
Year ended 31st March 2014					
Cost					
1st April 2013	9,800	156,099	2,206,278	140,434	2,512,611
Additions	-	7,725	1,302,399	1,333,864	2,643,988
31st March 2014	9,800	163,824	3,508,677	1,474,298	5,156,599
Amortisation					
1st April 2013	-	73,780	-	42,129	115,909
Charge for the year	-	32,765	-	72,425	105,190
31st March 2014	-	106,545	-	114,554	221,099
Net book value					
31st March 2014	9,800	57,279	3,508,677	1,359,744	4,935,500

Other intangible assets comprise the estimated net present value of customer relationships of Rugged Systems Limited Q-Par Angus Limited and customer and supplier relationships of 2001 Electronic Components Limited at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014 (continued)

12. GOODWILL AND IMPAIRMENT

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

	Goodwill carrying amount 2014 £	2013 £
Steatite Limited	2,206,278	2,206,278
Q-Par Angus Limited	24,332	-
Solid State Supplies Limited	1,278,067	-
	3,508,677	2,206,278

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% (2013 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 (2013: 0.84).

The recoverable amount exceeds the carrying amount by £10,176,000 (2013: £9,217,000). 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, which have been included in these consolidated financial statements are as follows:

Subsidiary undertakings	Country of Incorporation	Proportion of voting rights and Ordinary share capital held	Nature of business
Solid State Supplies Limited	Great Britain	100%	Distribution of electronic components.
Steatite Limited	Great Britain	100%	Distribution of electronic components and manufacture of electronic equipment.
Q-Par Angus Limited	Great Britain	100%	Manufacture of microwave and RF equipment
2001 Electronic Components Limited	Great Britain	100%	Distribution of electronic components

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

With effect from 1st April 2014 the business and relevant assets and liabilities of 2001 Electronic Components Limited have been transferred to Solid State Supplies Limited and this company has become dormant.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014 (continued)

14. INVENTORIES

	2014 £	2013 £
Finished goods and goods for resale	3,866,506	2,568,102
Work in progress	708,084	488,633
	4,574,590	3,056,735

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

15. TRADE AND OTHER RECEIVABLES

	2014 £	2013 £
Trade receivables	9,885,717	6,713,844
Other receivables	159,545	132,182
Prepayments	392,897	326,724
	10,438,159	7,172,750

Group trade receivables include £1,500,000 (2013: £1,254,755) 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 2014 borrowing under the agreement of £1,500,000 (2013: £1,040,439) was available of which £1,143,758 (2013: £905,522) was taken up. Interest charges in the year amounted to £24,332 (2013: £18,575) and administration fees to £21,156 (2013: £21,640).

16. TRADE AND OTHER PAYABLES (CURRENT)

	2014 £	2013 £
Trade payables	5,434,475	3,086,653
Other taxes and social security taxes	1,175,893	708,370
Amounts due under hire purchase agreements	2,465	-
Other payables	134,167	501,644
Accruals	418,124	230,591
Deferred income	324,868	187,192
	7,489,992	4,714,450

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014 (continued)

17. BANK BORROWINGS

	2014 £	2013 £
Amounts due to invoice discounters	1,143,758	905,522

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 £1,407,192 (2013: £637,000).

18. TRADE AND OTHER PAYABLES (NON CURRENT)

	2014 £	2013 £
Amounts due under hire purchase agreements	11,269	-

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 2014 (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 euros.

Liquidity risk

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

The Group has approximately a three month visibility in its trading and runs a rolling 3 month cash flow forecast. If any part of the Group identifies a shortfall in its future cash position the Group has sufficient facilities that it can direct funds to the location where they are required. If this situation is forecast to continue into the future remedial action is taken.

Cash flow interest rate risk

External Group borrowings are approved centrally. The Board accepts that this neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments. It considers, however, that by ensuring approval of borrowings is made by the Board the risk of borrowing at excessive interest rates is reduced. The Board considers that the rates being paid are in line with the most competitive rates it is possible for the Group to achieve.

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Loans and Receivables	
	2014	**2013**
	£	**£**
Current financial assets		
Trade and other receivables	10,438,159	7,172,750
Cash and cash equivalents	685,401	1,097,972
	11,123,560	8,270,722

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014 (continued)

19. FINANCIAL INSTRUMENTS (continued)

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

	Carrying value 2014 £	2013 £
UK	9,079,574	6,218,427
Non UK	806,143	495,417
	9,885,717	6,713,844

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 £30,109 (2012: £9,909) which represented 0.09% (2013: 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 £
2014					
UK	9,216,696	8,276,268	702,849	177,675	59,904
Non UK	806,143	636,951	23,722	8,255	137,215
Total	10,022,839	8,913,219	726,571	185,930	197,119
Less: Provisions	(137,122)				(137,122)
Total	9,885,717	8,913,219	726,571	185,930	59,997
2013					
UK	6,328,323	5,867,995	398,175	61,192	961
Non UK	495,417	480,407	15,010	-	-
Total	6,823,740	6,348,402	413,185	61,192	961
Less: Provisions	(109,896)	-	(47,743)	(61,192)	(961)
Total	6,713,844	6,348,402	365,442	-	-
Less: Provisions	(106,857)	-	(71,049)	(24,011)	(11,797)
Total	6,519,349	6,292,910	226,439	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2014 (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:

	2014 £	2013 £
Opening balance	109,909	106,857
Increases in provisions	30,109	9,909
Written off against provisions	(2,896)	(6,857)
Closing balance	137,122	109,909

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 2014 trade receivables of £972,498 which were past their due date were not impaired (2013: £226,439). All of these were less than 90 days past their due date.

Liquidity risk

	Financial liabilities measured at amortised cost	
	2014 £	2013 £
Current financial liabilities		
Trade and other payables	7,489,992	4,714,450
Bank borrowings	1,143,758	905,522
Bank overdraft	1,894,719	2,496,945
	10,528,469	8,116,917
Non current financial liabilities		
Hire purchase creditors	11,269	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014 (continued)

19. FINANCIAL INSTRUMENTS (continued)

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

	Carrying amount	**Contractual cash flow**	**6 months or less**	**6 – 12 months**	**1 or more years**
2014					
Secured bank loans	-	-	-	-	-
Bank overdrafts	1,894,719	1,894,719	1,894,719	-	-
Amounts due to invoice discounters	1,143,758	1,143,758	1,143,758	-	
Trade and other payables	7,487,527	7,487,527	7,487,527		
Hire purchase creditors	13,734	13,734	1,188	1,277	11,269
	10,539,738	10,539,738	10,527,192	1,277	11,269
2013					
Secured bank loans	-	-	-	-	-
Bank overdrafts	2,496,945	2,496,945	2,496,945	-	-
Amounts due to invoice discounters	905,522	905,522	905,522	-	
Trade and other payables	4,714,450	4,714,450	4,714,450	-	-
	8,116,917	8,116,917	8,116,917	-	-

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 £14,750 (2013: £24,605) 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 2014 (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 2014:

	2014	**2013**
	£	**£**
Trade receivables	5,494,803	4,267,712
Cash and cash equivalents	110,972	1,093,619
Bank overdraft	(190,656)	-
Trade payables	(2,867,299)	(1,643,294)
	2,547,820	3,718,037

There were also net assets of £95,398 in euros (2013: net liabilities of £19,775).

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 increase/(decrease) in pre-tax profit for the year and an increase/(decrease) in net assets of approximately £264,000 (2013: £(370,000)) and the effect of a weakening of 10% in the rate of exchange in the currencies against sterling at the statement of financial position date would have resulted in an estimated net decrease/(increase) in pre-tax profit for the year and a decrease/(increase) in net assets of approximately £264,000 (2013: £(370,000)).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014 (continued)

19. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)
At 31st March 2013 the Group had entered into agreement with its bankers to purchase US dollars as follows:

	$	Rate
Up to 19th April 2013	1,100,000	1.6257
Up to 19th April 2013	1,100,000	1.6023

Applying the actual exchange rate at the statement of financial position date to these agreements gives rise to a liability of £86,035 at 31st March 2013. A full provision for these liabilities was made in the financial statements at 31st March 2013.

There were no forward purchase agreements in place at 31st March 2014

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 2014 is shown below:

	2014 £	2013 £
Cash and cash equivalents	(685,401)	(1,097,972)
Bank overdrafts	1,894,719	2,496,945
Invoice discounting advance	1,143,758	905,522
Hire purchase finance	13,734	-
	2,366,810	2,304,495
Share capital	411,536	348,602
Share premium account	3,628,748	1,073,404
Retained earnings	6,362,145	4,854,353
Capital redemption reserve	4,674	4,674
	10,407,103	6,281,033
Gearing ratio	0.23	0.37

20. DEFERRED TAX

	2014 £	2013 £
Accelerated capital allowances and goodwill on acquisition of subsidiaries		
At 1st April 2013	51,428	87,803
Deferred tax arising on acquisition of subsidiaries	134,342	-
(Credit)/charge for the year	36,747	35,251
Effect of tax rate change	1,567	(1,124)
At 31st March 2014	224,084	51,428

Deferred tax rates are at 21% (2013: 23%) being the rate substantially enacted.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014 (continued)

21. PROVISION FOR LIABILITIES

Provision for liabilities on the termination of two building leases. Due to the ongoing negotiations with the two landlords we have not disclosed any further information as this may prejudice seriously the position of the Group.

Opening provision	
Reclassification of liabilities at 31st March 2013	56,000
Provisions for year	114,000
Closing provision	£170,000

22. SHARE CAPITAL

	2014 £	2013 £
Allotted issued and fully paid		
8,230,722 (2013: 6,972,034) ordinary shares of 5p each	411,536	348,602

On 27th June 2013, Mr J L Macmichael exercised share options over 88,085 ordinary shares which were issued at an exercise price of 94p.

On 27th June 2013, Mr G S Marsh exercised share options over 120,603 ordinary shares which were issued at an exercise price of 99.5p.

On 23rd December 2013 the company issued 1,050,000 ordinary shares at £2.42 per share and incurred costs of issue of £125,521

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 2014 the number of shares covered by option agreements amounted to 330,000 (2013: 208,688).

23. RESERVES

Full details of movements in reserves are set out in the consolidated statement of changes in equity on page 15.

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

Reserve	**Description and Purpose**
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption	Amounts transferred from share capital on redemption of issued shares.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014 (continued)

24. LEASING COMMITMENTS

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

	2014	2013
	£	£
No later than 1 year	353,750	262,550
Later than 1 year and no later than 5 years	1,050,063	883,823
Later than 5 years	531,500	749,500

Since the end of the year, a lease has been surrendered by arrangement with the lessor which reduces the commitments by a total of £172,000

25. SHARE BASED PAYMENT

The Group operates an approved Enterprise Management Incentive Scheme whereby Mr G S Marsh, Mr J M Lavery and Mr J L Macmichael have been granted options to purchase shares in Solid State PLC at a subscription price of 5p per share. The options in place at 31st March 2014 all have exercise periods of any time after finalisation of the accounts for the year on which the performance criteria are based. Full details are set out in Note 5 on pages 25 and 26.

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

The share based remuneration expenses amount to £235,056 for the year (2013: £44,445)

26. CONTINGENT LIABILITIES

A claim has been notified but not yet quantified by a customer following the failure of battery components in several examples of a certain product which comprises a meter and which has been installed in several countries around the world, often in remote locations. The customer is currently inspecting these meters, a process which is protracted due to the difficulty of access in many cases. Our supplier's insurers have indicated that they will cover the part of the claim directly attributable to the failure of the cells and the Group's own insurers will cover any part of the claim relating to damage to property arising from the faulty product. The Group anticipates that part of the claim relating to consequential loss arising from the faulty product will fail to be covered by either insurer and thus will be a liability payable by the Group. At this stage it is not practical to estimate the extent of that liability, but the at this stage the directors do not believe that it will be material or detrimental to the ongoing performance of the business.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014 (continued)

27. SEGMENT INFORMATION

The Group's primary reporting format for segment information is business segments which reflect the management reporting structure in the Group. The distribution division includes Solid State Supplies Limited and 2001 Electronic Components Limited and the manufacturing division includes Steatite Limited and Q-Par Angus Limited.

Year ended 31st March 2014

	Distribution division £	Manufacturing division £	Head office £	Total £
Revenue				
External	9,894,996	22,190,436	-	32,085,432
Intercompany	19,699	-	-	19,699
	9,914,695	22,190,436	-	32,105,131
Profit/(loss) before tax	397,419	2,898,649	(1,142,359)	2,153,709
Tax expense	80,296	434,552	(237,208)	277,640
Balance sheet				
Assets	8,563,535	13,129,946	45,440	21,738,921
Liabilities	(2,784,060)	(7,162,975)	(1,384,783)	(11,331,818)
Net assets/(liabilities)	5,779,475	5,966,971	(1,339,343)	10,407,103
Other				
Capital expenditure				
- Tangible fixed assets	123,622	364,147	-	487,769
- Intangible fixed assets	2,194,303	514,506	-	2,708,809
Depreciation, amortisation and other non cash expenses	94,403	251,333	338,475	684,211
Interest paid	34,384	31,392	6,150	71,926

Included with the manufacturing division is turnover of £3,614,864 relating to income from a major company which accounts for more than 10% of the Group's turnover in the year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014 (continued)

27. SEGMENT INFORMATION (continued)

Year ended 31st March 2013

	Distribution division £	Manufacturing division £	Head office £	Total £
Revenue				
External	7,146,005	24,348,972	-	31,494,977
Intercompany	-	6,734	-	6,734
	7,146,005	24,355,706	-	31,501,711
Profit/(loss) before tax	105,385	2,456,104	(791,056)	1,770,433
Balance sheet				
Assets	4,105,551	11,612,602	(1,079,045)	14,639,108
Liabilities	(4,399,954)	(6,014,504)	2,056,383	(8,358,075)
Net (liabilities)/assets	(294,403)	5,598,098	977,338	6,281,033
Other				
Capital expenditure				
- Tangible fixed assets	206,348	107,537	-	313,885
- Intangible fixed assets	11,341	3,555	-	14,896
Depreciation, amortisation and other non cash expenses	102,549	143,183	78,509	324,241
Interest paid	25,638	31,257	16,771	73,666

	External revenue by location of customer		Total assets by location of assets		Net tangible capital expenditure by location of assets	
	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £
United Kingdom	28,258,799	25,443,731	21,738,921	14,639,108	487,769	313,885
Rest of Europe	1,977,575	1,099,507	-	-	-	-
North America	1,051,151	863,688	-	-	-	-
Asia	671,633	4,059,015	-	-	-	-
Africa	10,213	23,671	-	-	-	-
Australasia	51,919	5,112	-	-	-	-
South America	64,142	253	-	-	-	-
	32,085,432	31,494,977	21,738,921	14,639,108	487,769	313,885

All the above relate to continuing operations.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014 (continued)

28. ACQUISITIONS DURING THE YEAR

Q-Par Angus Limited

On 1st May 2013 the Group acquired 100% of the ordinary shares in Q-Par Angus Limited for a cash consideration of £1,000,517. Q-Par Angus Limited is a specialist electronics business involved in the design and manufacture of microwave and other RF (radio frequency) engineering with specialisation in antenna systems.

	Book value £	Fair value adjustment £	Fair value to group £
Intangible fixed assets	-	375,534	375,534
Tangible fixed assets	148,816	(80,342)	68,474
Stock	328,643	(99,471)	229,172
Debtors	349,588	-	349,588
Cash at bank	133,232	-	133,232
Creditors	(183,123)	(24,000)	(207,123)
Deferred tax	56,311	(29,003)	27,308
Net assets on acquisition	833,467	142,718	976,185
Goodwill on acquisition			24,332
Consideration			1,000,517
Discharged by:			
Cash			1,000,517

The intangible fixed assets are in relation to customer contacts and relationships

In addition to the purchase price, the group incurred costs relating to the acquisition of £20,770. These are included in administrative expenses.

The profit included in the Consolidated Statement of Comprehensive Income arising from Q-Par Angus Limited was £519,321

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2014 (continued)

28. ACQUISITIONS DURING THE YEAR (continued)

2001 Electronic Components Limited

On 31st December 2013 the Group acquired 100% of the ordinary shares in 2001 Electronic Components Limited for a cash consideration of £1,973,512. 2001 Electronic Components Limited is a distributor of electronic components.

	Book value £	Fair value adjustment £	Fair value to group £
Intangible fixed assets	-	958,330	958,330
Tangible fixed assets	15,808	-	15,808
Stock	745,853	(80,000)	665,853
Debtors	1,755,321	13,665	1,768,986
Cash at bank	517,862		517,862
Bank borrowings	(1,407,982)		(1,407,982)
Creditors	(1,628,350)	(28,306)	(1,656,656)
Deferred tax		(166,756)	(166,756)
Net assets/(liabilities) on acquisition	(1,488)	696,933	695,445
Goodwill on acquisition			1,278,067
Consideration			1,973,512
Discharged by:			
Cash			1,973,512

The intangible fixed assets are in relation to customer contacts and relationships

In addition to the purchase price the group incurred costs relating to the acquisition of £58,275. These are included in administrative expenses.

The profit included in the Consolidated Statement of Comprehensive Income arising from 2001 Electronic Components Limited was £112,867

Company Number: 00771335

COMPANY BALANCE SHEET
at 31st March 2014

	Notes	2014		2013	
		£	£	£	£
FIXED ASSETS					
Investments	4		5,739,380		2,765,351
					2,765,351
CURRENT ASSETS					
Debtors	5	1,932,978		1,803,444	
Cash at bank and in hand		-		-	
		1,932,978		1,803,444	
CREDITORS: Amounts falling due within one year	6	3,143,838		2,857,563	
NET CURRENT (LIABILITIES)			(1,210,860)		(1,054,119)
NET ASSETS			4,528,520		1,711,2323
CAPITAL AND RESERVES					
Called up share capital	7		411,536		348,602
Share premium account	8		3,628,748		1,073,404
Capital redemption reserve	8		4,674		4,674
Profit and loss account	8		483,562		284,552
SHAREHOLDERS' FUNDS			4,528,520		1,711,232

The financial statements were approved by the Board of Directors and authorised for issue on 7th July 2014.

G S Marsh, *Director*

P Haining, *Director*

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31st March 2014

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 2014 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.

Share based payment
Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of options granted. As long as all other vesting conditions are satisfied, a change is made irrespective of whether the market vesting conditions are satisfied. 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 £642,073 (2013: £593,027) and comprised the share based payment expense of £235,056 (2012: £44,445) provision for employer's national insurance on exercise of share options of £32,437 (2013: £Nil) 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 2014 (continued)

3. SHARE BASED PAYMENT

The Group operates an approved Enterprise Management Incentive Scheme whereby Mr G S Marsh, Mr J M Lavery and Mr J L Macmichael have been granted options to purchase shares in Solid State PLC at a subscription price of 5p per share. The options in place at 31st March 2014 all have exercise periods of any time after finalisation of the accounts for the year on which the performance criteria are based. Full details are set out in Note 5 on pages 25 and 26.

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

The share based remuneration expenses amount to £235,056 for the year (2013: £44,445)

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31st March 2014 (continued)

4. INVESTMENTS
Company

	Group undertakings £
Cost	
1st April 2013	2,765,351
Additions	2,974,029
Disposals	-
31st March 2014	5,739,380
Net book value	
31st March 2014	5,739,380
31st March 2013	2,765,351

Subsidiary undertakings

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

Subsidiary undertakings	Proportion of voting rights and Ordinary share capital held	Nature of business
Solid State Supplies Limited	100%	Distribution of electronic components
Steatite Limited	100%	Distribution of electronic components and manufacture of electronic equipment
Q-Par Angus Limited	100%	Manufacture of microwave and RF equipment
2001 Electronic Components Limited	100%	Distribution of electronic components

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

With effect from 1st April 2014 the business and relevant assets and liabilities of 2001 Electronic Components Limited have been transferred to Solid State Supplies Limited and this company has thus become dormant.

5. DEBTORS

	2014 £	2013 £
Amounts owed by Group undertakings	1,887,538	1,764,716
Other debtors	44,526	8,714
Prepayments	914	30,014
	1,932,978	1,803,444

6. CREDITORS: Amounts falling due within one year

	2014 £	2013 £
Bank overdraft (secured)	1,307,680	753,173
Amounts owed to Group undertakings	1,759,055	2,077,283
Other taxes and social security costs	32,437	-
Other creditors	38,666	21,106
Accruals	6,000	6,001
	3,143,838	2,857,563

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31st March 2014 (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, Q-Par Angus Limited and 2001 Electronic Components Limited. At the year end the liabilities covered by those guarantees amounted to £575,246 (2013: £505,374). 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

	2014 £	2013 £
Allotted issued and fully paid		
8,230,722 (2013: 6,972,0.34) ordinary shares of 5p each	411,536	348,602

On 27th June 2013, Mr J L Macmichael exercised share options over 88,085 ordinary shares which were issued at an exercise price of 94p.

On 27th June 2013, Mr G S Marsh exercised share options over 120,603 ordinary shares which were issued at an exercise price of 99.5p.

On 23rd December 2013 the company issued 1,050,000 ordinary shares at £2.42 per share and incurred costs of issue of £125,521

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 2014 the number of shares covered by option agreements amounted to 330,000 (2012: 208,688).

8. RESERVES

	Share premium account	Capital redemption reserve	Profit & loss account
1st April 2013	1,073,404	4,674	284,552
Issue of shares	2,555,344	-	567,287
Profit for the year	-	-	-
	3,628,748	4,674	851,839
Add: Share based expense	-	-	235,056
	3,628,748	4,674	1,086,895
Dividend paid	-	-	(603,333)
31st March 2014	3,628,748	4,674	483,562

The cumulative amount of goodwill which has been eliminated against reserves at 31st March 2014 is £30,000 (2013: £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 20th August 2014 at 11am for the following purposes:

ORDINARY RESOLUTIONS

(1) To receive and adopt the accounts for the year ended 31st March 2014, together with the reports of the Directors and auditors thereon. (Resolution 1)

(2) To declare a final dividend of 5.75p per share. (Resolution 2)

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

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

(5) To reappoint 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 £137,178.50 (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 £82,307.20 (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 £82,307.20, 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 not withstanding that the authority conferred by the resolution ahs 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
7th July 2014

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

NOTES:

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

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

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