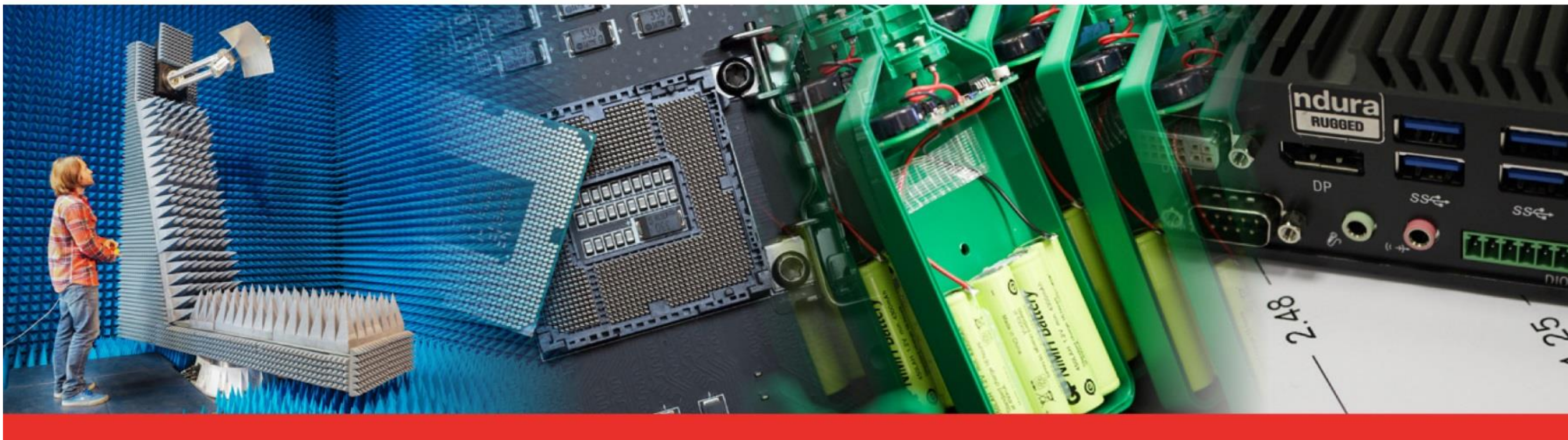
SOLID STATE PLC

DESIGN - MANUFACTURE - DISTRIBUTION

ANNUAL REPORT & ACCOUNTS
31st MARCH 2018



TRUSTED TECHNOLOGY FOR DEMANDING APPLICATIONS

WWW.SOLIDSTATEPLC.COM

CONTENTS

SOLID STATE PLC
DESIGN - MANUFACTURE - DISTRIBUTION

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Anthony Brian Frere, *Non-Executive Chairman* Gary Stephen Marsh, *Chief Executive Officer* Peter Haining, FCA, *Non-Executive Director* Peter Owen James, BSc FCA*, Executive Director* John Michael Lavery, *Non-Executive Director* John Lawford Macmichael, *Executive Director* Matthew Thomas Richards, *Executive 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 and Broker:	**W H Ireland Limited** 24 Martin Lane London EC4R 0DR
Joint Broker:	**finnCap Limited** 60 New Broad Street London EC2M 1JJ
Auditors:	**haysmacintyre** 10 Queen Street Place, London EC4R 1AG
Solicitors:	**Shakespeare Martineau LLP** 1 Colmore Square Birmingham West Midlands B4 6AA
Bankers:	**Lloyds Bank PLC** 125 Colmore Row Birmingham West Midlands B3 3SF
Registrars:	**Neville Registrars Limited** Neville House Steelpark Road Halesowen B62 8HD
Country of Incorporation of Parent Company:	England and Wales
Legal Form:	Public Limited Company
Domicile:	United Kingdom

CHAIRMAN'S STATEMENT

Overview of the year:

The financial year ended 31 March 2018 delivered a combination of strong organic revenue growth and strategic re-organisation. In particular our Value Added Distribution division contributed record revenues and profits, and our Manufacturing division was refocused into three key business units to align them with their markets and physical locations and to lay the foundations for the future growth of the Group.

Structurally, we made significant progress, consolidating our Power business unit in Crewkerne, Somerset and completing the restructuring of the Communications business unit in Leominster, Herefordshire which has experienced a more difficult trading environment (particularly in the North American market place). Nevertheless, following a strong performance from our Power business unit, exports increased 31% on the prior year and now represent 22.2% of total Group sales (2017: 19.5%). In addition, our investment in the component sourcing and obsolescence team as part of our Value Added Distribution division is starting to gain commercial traction, which is providing additional value added services for our customers.

Financial overview

Group revenue from continuing operations of £46.3m was up 16% on the prior year (2017: £40.0m). Our Value Added Distribution division has gained market share, delivering close to 20% organic revenue growth over the prior year. Manufacturing has also seen strong revenue growth at 13%, albeit the mix of sales is not as margin rich as the Board anticipated. As we have previously reported, the Communications business unit has faced difficult trading conditions for its antenna products, although in revenue terms the shortfall in this business unit was more than offset by the additional revenue from the Power business unit.

The Group's gross margin of 27.5% has seen a reduction of 2.6% compared to the 2017 margin of 30.1%. This reduction reflects the impact of the changing mix of sales with the Value Added Distribution division representing a larger proportion of the overall margin. The Value Added Distribution division typically commands lower margins than the Manufacturing division. Additionally, within the Manufacturing division there have been fewer complex higher margin manufacturing projects than in prior years when we benefitted from programmes in our computing and communications divisions which have not recurred. During the year we have invested significantly in development activity within the Power business unit which has been rewarded by the recently announced contracts for autonomous robotics applications. We expect this will provide considerable commercial opportunities for this division at the end of financial year 2019 and beyond.

The reported and adjusted profit after tax from continuing operations are broadly consistent with the prior year at £2.2m (2017: £2.3m) and £2.7m (2017: £2.7m) respectively. This translates into fully diluted reported earnings per share from continuing operations and adjusted earnings per share from continuing operations of 26.0p (2017: 26.7p) and 30.9p (2017: 31.4p) respectively.

The Group balance sheet shows net assets of £18.0m (2017: £16.6m) with net cash of £0.6m (2017: £0.9m). As reported previously in the first half of the year we invested significantly in inventory (in particular in battery cells) to exploit commercial opportunities and mitigate the risk associated with extending lead times. The investment made during the first half enabled the Group to continue to ship products to customers despite lengthening lead times. This was critical to delivering the organic growth in the Power business unit and Value Added Distribution division. We closed the year with inventories at £6.8m having reduced during the second half of the year by £1.2m albeit not down to the levels reported in March 2017 (2017: £5.6m).

Solid State PLC has paid a dividend every year since it joined AIM in 1996, a record of which the Group is very proud. The Board is recommending a final dividend of 8p, which added to the interim dividend of 4p per share paid on 20 February 2018, gives a total dividend for the year of 12p per share (2017: 12p). The total dividend is 2.6 times covered in 2018, based on adjusted profit after tax from continuing operations (2017: 2.65 times). The final dividend will be paid on 20 September 2018 to shareholders on the register at the close of business on 31 August 2018. The shares will be marked ex-dividend on 30 August 2018.

As previously reported, following a review of our dividend policy and benchmarking against our peer group, the Board has agreed a policy whereby it will look to increase the dividend as growth in profitability is delivered whilst targeting a dividend cover in the region of 2.50 times adjusted earnings.

CHAIRMAN'S STATEMENT (continued)

Senior management and corporate governance

As part of the review of board performance and succession planning, the Board has identified that it needs to appoint a replacement Non-Executive Director who is independent. The Board intends to commence a search process this year with a view to making an appointment before the 2019 AGM. Further details are set out in the Corporate Governance report on page 24

Our mission and strategy to deliver growth

Our mission is "*To remain at the forefront of electronics technology, delivering reliable, high quality products and services. Adding value at every opportunity, from enquiry to order fulfilment; consistently meeting customer and partner expectations.*"

Our strategy to deliver this has three key elements:

1) investment in our people, our technical knowledge and our capabilities, to ensure we remain at the forefront of electronics technology where we are the go to technical solutions provider of choice, enabling us to develop and maintain long term client relationships as a trusted adviser with the sector 'know how';
2) targeting strategic acquisitions which are aligned with our core capabilities which provide access to new markets or deepen our knowledge, ability and enhance the value we can add to our customers; and,
3) continue to develop our strategic partnerships with customers and suppliers within the electronics industry, building our portfolio of value added services.

Achievements in 2017/2018

Notable achievements in 2017/2018 to advance our strategy included:

- delivering double digit organic sales growth in both divisions, with the Value Added Distribution division delivering close to 20% growth;
- the sourcing and obsolescence team starting to deliver initial revenues and further progress of our value-added service offering and customer qualifications in this area which will support our distribution margins going forward;
- continued investment in medium term research and development to deliver increased value-added manufacturing solutions including batteries for robotics and new TEMPEST accredited products;
- completing the transfer of the battery production to Crewkerne and thereby establishing a centre of excellence with the scale and expertise to take our Power business unit forward in to new and complementary markets and opportunities; and,
- re-organising the Computing and Communications business unit management teams, to focus on higher "added value" business, with a view to improving margins and market share.

The Chief Executive's strategic report provides further details on these achievements and the progress we have made in executing our strategy.

Opportunities and prospects for 2018/2019

The Group is well positioned for growth in 2018/2019 across its business units with well diversified revenue streams.

Following the formation of the centre of excellence for batteries in Crewkerne, the Power business unit is well placed for the future particularly given the resurgence of the Oil & Gas (O&G) market after a period of contraction. In addition, our development activity has positioned the Power business unit well to penetrate new market opportunities in robotics and autonomy, which will diversify our customer base and range of sectors which currently include Medical, O&G, and Commercial Aviation.

In addition, the supply chain challenges we have seen with extending lead time and cell manufacturers limiting supply to approved pack manufacturers only present higher barriers to entry in this market. Our strong established relationship with the cell manufacturers positions our Power business unit well for future growth.

CHAIRMAN'S STATEMENT (continued)

Post year-end we have taken a significant production order from a major UK smart warehouse technology solutions provider to supply them with battery packs to power autonomous robots operating in cold conditions. Production is expected to commence towards the end of the calendar year. This strengthens the order book increasing our confidence that we remain on track to meet expectations. The business intends to build on this success to expand the Group's capabilities in the provision of power solutions for select autonomous systems operating in harsh environments.

Post year-end the Group signed a major exclusive distribution agreement with VPT, a USA based manufacturer of high reliability power supplies for the military, aerospace and space industries. This highlights the progress that we have made in developing our Value-Added Distribution offering which has enabled us to win the franchise.

Our expansion of services in the Value Added Distribution division, and in particular the formation of our component sourcing and obsolescence team, is starting to deliver a brand-new source of recurring revenue to the Group, which whilst still small, is margin enhancing and has significant growth potential.

As indicated earlier the Communications business unit has faced several commercial challenges during the year. To address these, we have re-organised the team, and while we do not expect the recovery to deliver material improvement in performance in the coming financial year, we believe that our technical knowledge, manufacturing and testing capabilities position us well in targeting new opportunities. The Computing business unit has been refocussed to seek opportunities for increased value added content which offer better opportunity to increase margins.

Brexit negotiations present a level of risk and uncertainty to the business environment in which we operate. However, our breadth of technical knowledge, service levels from our specialist sales teams, scale of our operations, structure, strong balance sheet, governance and quality standards mean the Board believes the Group is well positioned to respond quickly to the challenges and opportunities that lie ahead as the UK negotiates its exit from the EU. In addition, the Board believes that the Group's diversified structure gives it resilience and places it in a far stronger position than our smaller unlisted competitors within our customers' supply chains.

We made our last acquisition in May 2016. Generally, our aim is to make one acquisition a year, however we will only make acquisitions where they are fully aligned with the Group's strategy. The focus when looking at acquisitions is to ensure they develop our product offering, broaden the market sectors we serve and underpin or enhance our gross profit margins.

The Board is encouraged by new order intake during the first two months of our new financial year, giving confidence that the Group remains on track to deliver in-line with our expectations. The Group open order book at 31 May 2018 was at a record £23.0m (31 May 2017: £20.7m) up 11% on the prior year, with £19.0m of it being due for delivery between 1 June 2018 and 31 March 2019.

Finally, on behalf of the Board, I would like to acknowledge the significant contribution of our staff to Solid State's continued progress and thank them accordingly. This is a people business which relies on the dedication of our colleagues across the Group; this is acknowledged and appreciated.

A B Frere
Chairman

3 July 2018

CHIEF EXECUTIVE'S STRATEGIC REPORT

Introduction to Solid State PLC

The two divisions of the Solid State Group have distinct characteristics in their market places; however they have a common mission, a clear delivery strategy, and consistent business values. Across the Group our depth of understanding and a collaborative approach to client relationships have always promoted an integrated process of product design and supply often resulting in a trusted adviser relationship with our customers. This degree of co-operation and collaboration is valued and appreciated by our clients, we believe it is of significant commercial value both to us and our customers. The Group will continue to pursue this approach and 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 over time enable us to achieve improved operating margins through the delivery of operational efficiencies, scale and distribution.

The Group is focused on the supply and support of specialist electronics equipment through its Value Added Distribution and Manufacturing divisions. The Value Added Distribution division is a market leader in delivering innovative, valuable, technical solutions for customers seeking specialist electronic components and displays.

The Manufacturing division is a market leader in the design, development and supply of high specification rugged computers, custom battery packs providing portable power and energy storage solutions and advanced communication systems, encompassing wideband antennas and high performance video transmission products.

The market for the Group's products and services is driven by the need for bespoke electronic solutions to address complex needs, typically in harsh environments where enhanced durability and resistance to extreme and volatile humidity, temperature, pressure and wind is vital. The drivers of value in our markets include safety, technical performance, efficiency improvements, cost savings, and environmental monitoring.

Value Added Distribution division

The Group's Value Added Distribution division is focused on serving the needs of the electronics original equipment manufacturing (OEM) and the contract electronics manufacturing (CEM) communities in the UK, principally from its base in Redditch.

The division represents a modest number of suppliers who manufacture semiconductors, related electronic components, modules and displays. The division has an in depth understanding of these products and as such is able to offer outstanding levels of commercial and technical support to its customers.

The products offered include those for the I.O.T (internet of things), embedded processing, control, wireless and wired communications, power management, and LED lighting from globally recognised manufacturers.

The division has expertise in high-reliability components for military and aerospace applications. The division's Quality Management System is accredited to the International Aerospace standard AS9120.

The Value Added Distribution division understands the need to provide the highest level of service to its customers and has a clear focus on supporting the electronic design community. Wherever possible the Value Added Distribution division offers services for customers who require their programmes pre-loaded onto hardware or their products prepared to go direct to the production line. All of these services are carried out in our bespoke electrostatic discharge (ESD) safe facility in line with our AS9100 certification. This is an offering many of our competitors are unable to provide.

Manufacturing division – including the Computing, Power and Communications business units

Our Manufacturing division operates across three sites; Redditch, Crewkerne and Leominster. It is a market leader in the design, development and supply of rugged and industrial computers, portable power and energy storage solutions, advanced communication systems, encompassing wideband antennas and high performance video transmission products.

The division has consolidated its battery production in Crewkerne, Somerset, with resulting efficiencies, allowing the Redditch, Worcestershire facility to focus primarily on the delivery of computing products. The Leominster facility, in Herefordshire, houses the Communications business unit, with our antenna design, production and test facilities. Our near-field antenna test chamber supports in-house development and is also made available to third parties looking to utilise the state of the art chamber on a chargeable basis. Our environmental chamber and vibration testing capabilities have been commissioned during the financial year providing enhanced in-house testing services which can be utilised across the Group.

All three facilities are cleared by the UK Government to allow secure work. Personnel hold individual security clearance as required.

Computing business unit

The Computing business unit designs, manufactures and tests rugged and industrial computing solutions, serving a wide range of markets including Industrial, Military, Transportation and Broadcasting. Success has been achieved through specialisation in industrial computer design and integration, custom chassis builds, production, test and certification and customisation of Windows Embedded I.O.T and related software products.

Our product offering includes computers and displays, time and positioning solutions, motherboards and modules and test and measurement solutions. Our capabilities extend from the provision of single board computer modules to turnkey integrated systems with significant value added content in the production, testing and commissioning stages at the Redditch facility.

The business unit has strong and long standing commercial relationships directly with key suppliers in Asia and the USA. Sustained digital marketing initiatives are leading to increased demand from diverse markets with emphasis on driving the level of value added content.

Power business unit

The Power business unit provides portable power and energy storage solutions. This includes battery pack assembly, control electronic design, and advanced battery testing. Working from initial design through qualification and United Nations (UN) certified testing, production, support and disposal at end of life, the business unit is well positioned to respond to an increasing demand for mobile and static power solutions where there is a specific requirement for high reliability, harsh environment and, above all else, safe systems.

The business unit has over 30 years' experience in the supply of batteries and mobile power solutions into some of the world's most demanding environments. Its battery packs are used in a range of sectors including: Oil and Gas, Military and Security, Aerospace, Environmental and Oceanographic, Medical and Industrial OEMs.

Communications business unit

This business unit provides custom solutions that include bespoke antenna design from the Leominster facility, advanced high bandwidth radios including related peripheral technology from the Redditch facility and domain knowledge from the in-house product support team with direct end user experience.

Within the Communications business unit the Group provides advanced ultra-wide band antenna systems addressing demand from a worldwide customer base. Our antennas are utilised in a range of applications including electronic warfare, meteorological sensors and test and measurement applications. With over 40 years of experience, the business unit is at the forefront of antenna design and manufacture.

Our purpose built 18,000 sq. ft facility in Leominster includes a world class near-field test chamber that sets the business apart from competitors and allows the business unit to remain as a pre-eminent provider of ultra-wideband/high power antenna solutions. Focus is now being given to opportunities for repeat business with higher volume sales of standard product to complement major system sales opportunities.

Principal risks and uncertainties

The Group has a process for the identification and management of risk as part of the governance structure operated by the Board. Management of risk is the responsibility of the Board of Directors. In managing and mitigating risk, a comprehensive and robust system of controls and risk management processes has been developed and implemented by the Board.

The Board's role in risk management includes:

- promoting a culture that emphasises integrity at all levels in the business
- embedding risk management within the core processes of the business
- approving appetite for risk
- determining the principal risks
- ensuring that these are communicated effectively to the businesses
- setting the overall policies for risk management and control

The principal risks affecting the Group are identified by the Group Executive team within their functional areas of responsibility and are reviewed by the Board.

In identifying the business risks below, we analyse risks across four key areas:

- strategic risk
- commercial risk
- operational risk
- financial risk

The principal risks identified are listed in order of severity. Mitigation, where possible, is shown by each identified risk area.

1. **Acquisition risk – (Strategic risk)**

   Business risk

   - Loss of key customers
   - Loss of key employees
   - Loss of key suppliers
   - Erosion of Intellectual property base
   - Failure to identify and complete profitable acquisitions
   - Failure to integrate management reporting structures and control disciplines

   Mitigation

   - Rigorous due diligence to ensure that acquisitions are able to be effectively integrated and all the relevant stakeholders are engaged, supportive and aligned
   - Preparation and execution of a cross functional integration plan
   - Pro-active and early engagement with:
     - key suppliers
     - key customers
     - employees through the on-site presence of Solid State PLC management
   - Integration into existing internal control frameworks, processes and reporting systems

2. Product / Technology change – (Commercial risk)

Business risk

- Failure to maintain our leading technical capabilities and knowledge which allows us to develop electronic solutions in partnership with our customers
- Failure to manufacture solutions that meet the agreed specification
- Failure of key distribution franchises to innovate and introduce new products

Mitigation

- Continued investment in the technical training and development of our sales, engineering and operations staff building our capabilities
- Investment in joint R&D programmes with partners to ensure we are at the forefront of technical electronic solutions
- Maintain rigorous quality and engineering control processes to ensure that our products meet the required specifications
- Perform all necessary detailed product testing to ensure that products are fit for purpose
- Continuously seek new franchises and partners at the forefront of electronics technology

3. Supply chain interruption – (Operational risk)

Business risk

- Dependency on significant suppliers or dependency on a qualified supplier within a controlled supply chain

Mitigation

- Active programme to maintain cross qualified second sources of supply
- Rigorous supplier quality management processes
- Maintain close relationships with key suppliers in order to be aware of potential supply issues
- Appropriate levels of buffer stock holding to minimise the effects of extended lead times.

4. Retention of key employees – (Operational risk)

Business risk

- Loss of key people and critical skills
- Insufficient skilled employees
- Poor engagement and morale

Mitigation

- Retention and development of its workforce is critical to the long term success of the Group
- Low staff turnover, with many employees having been with the Group for in excess of ten years
- The Group encourages and invests in continuous professional development and training in core skills and competencies as appropriate
- The Group pro-actively looks to develop its own talent and makes use of the government apprenticeship schemes
- The Group pro-actively communicates with its employees
- The Group reviews and benchmarks employee rewards to ensure we are fairly rewarding our employees

5. Competition risk – (Commercial risk)

Business risk

- Loss of distribution supplier franchise agreement would result in significant loss of product lines and customers
- Loss of a major contract / customer or business to a competitor
- Price / margin erosion due to predatory pricing from a competitor

Mitigation

- Setting a commercial strategy:
  - Focused on quality, value and customer service
  - Develop and maintain close relationships with suppliers and customers to become the "partner of choice", by forming multi-level partnerships
  - As a trusted partner providing product solutions from design, to pilot and volume production
  - Winning additional business from existing customers and capturing new customers and revenue streams
- Continue to invest in product development to ensure competitive advantage
- Continued investment in the recruitment of high quality personnel

6. Financial liquidity – (Financial risk)

Business risk

- The business does not maintain sufficient funding and liquidity to meet its obligations as they fall due
- The business commits to a materially significant loss making contract

Mitigation

- The Group prepares financial forecasts to evaluate the level of funding required for the foreseeable future. These forecasts are reviewed and approved by the Board
- Based on these forecasts appropriate funding and liquidity solutions are put in place to ensure that adequate headroom is maintained
- At the year-end 31 March 2018, the Group had an undrawn overdraft facility of £2.0m and the Group had net cash of £0.6m
- Operate and adhere to a clearly defined delegation of authority matrix and contract review / contract risk register

7. Legislative environment and compliance – (Strategic risk)

Business risk

- Brexit negotiations causing an increased level of uncertainty in the legislative and trading environment in which we operate
- Overseas competitors are favoured in their domestic markets
- Failure to comply with applicable legislation, to include but not limited to:
  - Export Control and International Traffic in Arms (ITAR)
  - Bribery Act
  - General Data protection regulation (GDPR)
  - Employment legislation and company legislation

7. Legislative environment and compliance – (Strategic risk) - continued

Mitigation

- Brexit negotiations present a level of risk and uncertainty to the business environment in which we operate, however given our level of trade with the EU is modest our exposure is lower than other companies. However, where we do have potential impacts our breadth of technical knowledge, service levels from our specialist sales teams, scale of our operations, structure, strong balance sheet, governance, and quality standards mean the Board believes the Group is well positioned to respond quickly to the challenges and opportunities that lie ahead as the UK negotiates its exit from the EU. The Board believes that the Group's diversified structure gives it resilience, and places it in a far stronger position than our smaller unlisted competitors within our customers' supply chains.
- Regular reporting of export / ITAR compliance, and detailed internal control processes and procedures
- Continuing education of our employees on the legislative developments and requirements
- Internal reviews and external audits
- Adopt suitable software systems where appropriate to aid export control procedures and assist with other compliance issues
- The individual operating companies maintain operating procedures and are certified to internationally recognised standards, e.g. ISO 9001-2015, AS9100, AS9120, SC21

8. Failure of or malicious damage to IT systems – (Operational risk)

Business Risk

- The inability to access business critical data
- The inability to efficiently run the operating companies

Mitigation

The Group:

- Has been certified as meeting the "Cyber Essentials" standards
- Runs automated daily back-ups of all business critical data
- Operates off site storage of business critical data
- Has established, documented and tested disaster recovery plans

9. Natural disasters – (Operational risk)

Business risk

- Natural disaster disrupts production capability, supply of materials or customer demand

Mitigation

- The Group has a documented and tested disaster recovery plan for each site. In addition, the Group has business interruption insurance

Divisional business review

Value Added Distribution division

Financial year 2017/18 saw sustained growth for the Value-Added Distribution division with revenue growth up nearly 20% over the prior year at £19.7m (2017: £16.5m). All KPIs were met or exceeded the targets for the year with On Time Delivery (OTD) consistently high and rising throughout the year to 98%. Order intake is at record levels with bookings of £23.9 million taken in the 2017/18 financial year giving a Book:Bill ratio of 1.21:1.00.

The open order book at the end of the year was at record levels at in excess of £10m with £7.5m deliverable in the financial year-ending 31 March 2019.

Overall stock levels increased during the financial year with the division entering into some partnership deals with suppliers to ensure continuity of supply to the mutual customer base and thus mitigating the extended lead times within the industry. Underlying stock turns nevertheless remained very healthy, in excess of five times a year and the obsolescence risk was mitigated on the special deals with 100% stock return rights.

Sales per head which is used as a metric for the human resource efficiency of the division remained healthy and stable suggesting that the division is managing to grow its business without disproportionately increasing its head count. The operational efficiency is critical to delivering enhanced margins.

New initiatives started in the 2016/17 year began to yield positive results in the year and are expected to contribute significantly in the 2018/19 financial year. Whilst gross margins remain under pressure the Group continued to invest in the development of a component sourcing and obsolescence team. The services this team offer combined with the long-term storage initiatives are expected to contribute well to the margin enhancement projects previously reported.

The division continues to invest heavily in its staff believing that a well-educated and well-trained workforce is the key to staying ahead of the competition. To this end the division continues to sponsor its staff to take industry recognised qualifications such as Chartered Institute of Procurement & Supply (CIPS) and encourages and indeed enrols senior staff members on continuing professional development (CPD) courses throughout the year, these include, the Institute of Leadership and Management (ILM) courses and where appropriate Institute of Directors (IoD) qualifications.

The senior management team of the Value Added Distribution division remain optimistic about the prospects for the 2018/19 financial year and expect it to be another record year.

Post year-end the division signed a major exclusive distribution agreement with VPT, a USA based manufacturer of high reliability power supplies for the military, aerospace and space business. VPT has been operating in the UK for approximately 12 years and brings with it a well-established customer base that will transition to the Value Added Distribution division throughout the year.

Manufacturing division – comprising Computing, Power and Communications business units

Manufacturing billings met the expectations for the year with growth of 13% over the prior year at £26.6m (2017: £23.5m). The year-on-year bookings showed growth of circa 3% which was below our expectations given the billings performance and resulted in a book to bill ratio for the year of 0.94:1.00. This is expected to result in a slower start to the financial year-ending 31 March 2019.

While the underlying core businesses of the division did see growth, and broadly maintained material margins, a reduction in the level of higher value add manufacturing business activity had a negative impact on the mix resulting in a reduction in overall gross margins. Further details of the financial performance of the division are set out in the financial review on page 15 to 17.

As a result of its market diversity the division has long term strength and resilience. In the year, 24% of revenue came from Oil and Gas (O&G), 25% from Defence, 29% from Industrial EOM's and the balance from a range of sectors including Aerospace, Retail and Transportation. Approximately 75% of our manufacturing business came from the domestic UK market, and 25% from export markets.

Post year-end the operation has been refocused to ensure the emphasis is on winning higher margin opportunities. The cost base has been reduced to reflect current market conditions but without compromising growth areas. Facilities have been consolidated from four to three sites with the closure of the Farnborough sales office, further reducing the fixed overheads.

CHIEF EXECUTIVE'S STRATEGIC REPORT (continued)

Areas of continued focus for the coming year will include:

- an emphasis on securing new customers to reduce the reliance on the existing customer base to generate the majority of revenue. Specific attention is being paid to lead generation and qualification;
- seeking opportunities within the computing, power and communications sectors that require a greater level of value add activity and therefore support higher margins; and.
- managing the cost base will be carefully, concentrating on smarter procurement and supply chain management.

Computing business unit

The Computing business unit achieved stable performance. Our core Computing revenue (excluding the impact of the rail sector) saw revenue growth of approximately 3% over the prior year. However, the prior year benefitted from close to £3.5m from rail sector revenues.

While there was high value-add rail sector sales in the current year the revenue from this sector was significantly down on the prior year as an initial product roll out concluded. These revenues were only partially replaced with sales at a more normalised margin for computer sales resulting in an adverse impact on the performance of the business unit.

It is pleasing to report an initial contract has been secured from a new customer in the rail sector. The Computing business unit will supply this customer with a suite of computer and monitor equipment that will be integrated by the prime contractor into rail coaches to provide video security. Further bookings and revenues are projected for FY18/19 on this programme.

The Computing business unit has seen an increase in the demand for Artificial Intelligence (AI) solutions that are image/video centric. The business unit is particularly well positioned to address harsh environment applications in this domain with a range of fanless high powered, long life computing solutions.

The business commenced delivery of a complex computing solution for the UK Ministry of Defence via a major defence prime contractor. The solution includes "TEMPEST" specification products. TEMPEST is a National Security Agency specification and a NATO certification referring to a cyber security accreditation on information systems through preventing leaking emanations, including unintentional radio or electrical signals, sounds, and vibrations. Discussions have commenced with other Government departments which also have requirements to protect computer systems installed in facilities overseas. The Group holds the necessary security accreditations to undertake such work.

The business unit continues to look to develop an increased level of higher value business that will play to the divisions engineering and operational capabilities and utilise capacity. The business unit will introduce a new series of 19" Rack Mount servers in the first half of the financial year-ending 31 March 2019 to include Entry Level and High End chassis solutions with respective features and pricing competitively matched.

Power business unit

We have now completed the transfer of all battery production to the Crewkerne facility. Business performance continues to improve as we make operational efficiencies. This has been reflected in customer satisfaction responses and on time delivery results.

The operation has seen the successful integration of the latest ISO 9001-2015 standard that is complemented by the 18001 health and safety accreditation and approval to build equipment intended for use in potentially explosive atmospheres under the ATEX directive. These are all key considerations for our business to business customers operating in aerospace, safety and O&G markets.

We have continued to see margin pressure on lower value add battery solutions and the business is increasingly focussed on more complex integrated solutions where safety, and product quality are the major factors in the customer buying decision making process.

We have seen a demonstrable and sustained recovery in the O&G sector as customers progress through restocking phases to new longer-term programmes. New technologies including lithium solutions to service the O&G sector present an opportunity for further value added enhancements and the associated margin improvement. Product endurance and reliability are critical to our customers given the financial consequences of downhole failure.

The development of the battery solution for a major UK smart warehouse technology solutions provider has progressed well in the year; initial trials of the pack integrated to the customer's robotic platform have been successful.

CHIEF EXECUTIVE'S STRATEGIC REPORT (continued)

Power business unit - continued

Positively, post year-end, we have taken significant production orders from the customer and their chosen robot manufacturer. The production is scheduled to commence towards the end of the year. A novel battery "re blocking" design provides the potential for annuity revenues for extended periods and delivering improved through life costs for the end customer.

Furthermore, the Business unit has secured a further twelve month production contract from an existing customer operating in the aerospace sector. Significantly the order reflects an improved commercial relationship as a valued supply partner to the customer.

Battery cell manufacturers are limiting the supply of product to approved third party pack providers and extending lead times across the industry in order that they can service the needs of the Electric Vehicle (EV) market. This means that our longstanding and trusted relationship with the leading cell manufacturers are even more important and this together with the barriers to entry that also exist, mean we are well positioned to leverage opportunities in this market place.

Focus for future growth remains on high reliability, harsh environment applications with an emphasis on added value solutions. New applications in robotics solutions are being targeted in varied market sectors including land based, sea and subsea. The business unit is taking care to select markets for portable power and energy storage solutions that have not been commoditised as a result of the EV demands for ever diminishing pricing on the cell chemistries. The business unit adds value by being an impartial subject matter expert to our customers looking to select the optimum cell chemistry and battery management solution and pack design, to deliver the operational requirements.

Communications business unit

The Communications business unit encompasses antenna products and advanced radio products and is split into the Antennas team and the Radio team. The business unit's technology is world class with two thirds of sales from the Leominster facility being exported worldwide. The aspirations and plans to build and strengthen the order book for the antenna products is taking more time than the Board had expected, principally due to the inability to gain significant traction in the North American market where US domestic policy has seen the Group lose out to US competitors on larger US Government funded programmes.

Notwithstanding this, in absolute terms communications revenue was up on the prior year with strong radio sales and the successful delivery of a highly complex antenna programme to a major European defence prime contractor. The solution integrates advanced materials, cutting edge antenna design and complex software programming and will open doors to comparable future projects.

In the year, our customer, the Met Office, won a prestigious award from the Environment Agency, with our Antenna team being specifically identified as a key supplier of radar antenna technology and a major contributor to the success of the project. The project involved the refurbishment and upgrade of the 16 weather radar systems in the UK National Weather Radar Network.

The Radio team successfully delivered two important programmes to the UK Ministry of Defence permitting very high bandwidth real time video distribution in the harshest environments. The team provides multi input multi output data radios that have the ability to form self-healing mesh networks covering a wide geographic region on land, sea and air and crucially in urban environments. The Radio team is now seeing prospective requirements where the proprietary radio solution has been designed into the end user solution.

The Radio team has established new business relationships with complementary companies providing mission planning computers, digital mapping solutions and optical sensors positioning the business as a subsystem provider of both the data links and situational awareness product. This will allow this part of the Communications business unit to move up the value chain, generating larger contracts and improved overall margins.

Lessons have been learnt on larger new projects to ensure they have been "de-risked" with appropriate payment milestones against engineering deliverables. Going forward the Communications business unit will be cautious in predicting significant sales growth from the antenna products. That said, prospects remain good and the operations and reputation for delivery of world class antenna solutions will see the business continue to compete for high margin contracts.

The focus going forward is to secure a "base load" of run rate business that can be complemented by the larger programmes.

Financial Review

In order to provide a fuller understanding of the Group's on going underlying performance, we have included a number of adjusted profit measures as supplementary information, on a consistent basis with that reported by the financial analysts that review our business. As detailed in note 29, the adjusted measures eliminate the impact of certain non-cash charges and non-recurring items.

Revenues

Group revenues from continuing operations of £46.3m were up 16% on the prior year (2017: £40.0m) primarily from organic growth. The Value Added Distribution division represented 43% (2017: 41%) of Group revenue and it reported strong organic revenue growth of close to 20% resulting in revenue of £19.7m (2017: £16.5m). The Manufacturing division reported revenue of £26.6m (2017: £23.5m) representing growth of 13%.

The significant organic growth in revenues has been delivered from our Value Added Distribution division, the rugged radio solutions and traditional battery pack products. This change in the sales mix has meant the strong revenue growth has not translated in to the same level of growth in gross profit.

Gross profit

Gross profit for the year is up £0.7m to £12.7m (2017: £12.0m) reflecting the increased volume of business. While manufacturing gross margins at a product level were broadly maintained, the adverse impact on margin from the change in manufacturing sales mix in conjunction with the margin pressure in the Value Added Distribution division, resulted in a reduction of the overall Group margin percentage, with a reported gross margin percentage of 27.5% (2017: 30.1%) and adjusted gross margin percentage of 27.5% (2017: 30.5%).

Value Added Distribution contributed £4.6m (2017: £4.3m) of gross margins which was up £0.3m over the prior year. The increase reflects our success in growing revenue through winning larger volume contracts - albeit to deliver the successful top line growth we have had to offer some limited volume discounts. Furthermore, the mix of components sold and an adverse foreign exchange impact within the financial year has adversely impacted the margin percentage.

The investments we have made in developing our added value services, including obsolescence sourcing and long term storage offerings are starting to generate initial revenues although they are not yet sufficient to mitigate the margin pressure. Looking forward, the sourcing and obsolescence solutions are expected to increase the value we add and should enable the Value Added Distribution division to enhance its margins as these services develop.

The Manufacturing division contributed £8.1m (2017: £7.9m) of adjusted gross margin which is up £0.2m on the prior year. The gross margin percentage has fallen to 30.6% (2017: 33.5%) primarily as a result of a change in mix of sales with the higher sales of rugged radio solutions and traditional battery pack products not sufficient to offset the significant reduction in the computing business unit from a higher margin programme. Reported gross margins in the Manufacturing division were 30.6% (2017: 32.8%) giving gross margin of £8.1m (2017: £7.7m).

Sales and general administration expenses

Sales and general administration expenses from continuing operations of £10.2m increased by £0.9m from £9.3m in 2017. This increase primarily reflects cost inflation of approximately £0.25m, full year costs of facility and resource investments made in the prior year of approximately £0.5m and share base payment charges of £0.15m.

Adjusted sales and general administration expenses from continuing operations increased by £0.7m to £9.7m from £9.0m in 2017.

As reported last year, the Value Added Distribution division invested in additional sales resources in the fourth quarter of 2017 in order to deliver the targeted organic growth in 2017/18. This has resulted in the division's adjusted sales and general administration expenses increasing from £3.2m to £3.3m.

The Manufacturing division's adjusted sales and general administration expenses have increased to £5.6m from £5.0m. This reflects the full year impact of the Crewkerne and Leominster facility in conjunction with cost inflation.

Adjusted Head Office sales and general administration costs have remained stable at £0.8m (2017: £0.8m).

CHIEF EXECUTIVE'S STRATEGIC REPORT (continued)

Within sales, general and administrative expenses the reported depreciation and amortisation from continuing operations in the year was £0.9m which is up £0.1m from £0.8m in 2017 primarily due to the depreciation of the capital investment in the new Leominster facility in the prior year. Adjusted depreciation and amortisation from continuing operations (excludes the amortisation of acquisition intangibles) has increased to £0.7m from £0.6m.

Operating profit

Reported operating profit from continuing operations is down £0.2m to £2.5m (2017: £2.7m). Adjusted operating profit is down £0.2m to £3.0m (2017: £3.2m). The adjustments to operating profit are set out in further detail in note 29.

However, this reduction in operating profit is partially mitigated at an EPS level by the R&D tax credits received for the R&D programmes we have invested in over the last two years. We have recognised £0.1m of Research and Development Expenditure Credit (RDEC) within operating profit and the remaining credits are recognised within the tax line, where we are eligible for the SME R&D tax scheme. These development programmes are a cornerstone of the Group's future high value add revenue streams.

EPS

Adjusted fully diluted earnings per share from continuing operations for the year ended 31 March 2018 are 30.9p (2017: 31.4p). Reported fully diluted earnings per share from continuing operations are 26.0p (2017: 26.7p).

Cash inflow from operations

Cash inflow from continuing operations for the year of £1.4m is down from £5.8m in 2017 primarily due to a cash outflow of circa £2.2m from working capital compared to an inflow of £2.4m in the prior year. Underlying cash profit from operations was stable at £3.5m (2017: £3.6m).

As reported at the half year, the working capital outflow in the year of £2.2m reflects a £1.4m investment in inventory due to increased lead times on cells and various electronic components and increased trade working capital resulting from increased turnover.

Cash flow from discontinued operations in the year was £nil (2017: inflow £3.3m).

Dividend

The Board is proposing to maintain the final dividend at 8.0p (2017: 8.0p), giving a full year dividend of 12p (2017: 12p). The dividend is 2.6x times covered based on the adjusted profit after tax.

Following approval of the final dividend by the shareholders at the AGM on 6 September 2018, the final dividend will be paid on 20 September 2018 to shareholders on the register at the close of business on the 31 August 2018. The shares will be marked ex-dividend on 31 August 2018.

Capital investment

During the year the Group invested £0.4m (2017: £1.5m) in property plant and equipment and £0.3m (2017: £0.4m) in software and research and development intangibles.

Capital investment in the year returned to the historical run rate level for capital expenditure. There were two significant one off investments in the prior year relating to the new facility in Leominster and the expansion of the office and meeting room space in our Redditch facility.

Investment in subsidiaries

There was no investment in subsidiaries in the current year. During 2016/17 the Group invested £1.9m, which included the final deferred consideration payment for Ginsbury Electronics Limited of £0.3m and £1.6m in acquiring Creasefield Limited.

KPIs

In addition to the information provided in the Chairman's Report and this Strategic Report, the Directors use a number of key performance indicators to manage the business, disclosed in the financial review on page 15 and 16. Non-financial KPIs are not disclosed.

KPI	2018	2017
Sales from continuing operations	£46.3m	£40.0m
Adjusted operating profit from continuing operations	£3.0m	£3.2m
Adjusted profit before taxation from continuing operations	£3.0m	£3.1m
Adjusted diluted EPS from continuing operations	30.9p	31.4p
Cash flow from continuing operating activities	£1.4m	£5.8m
Net cash	£0.6m	£0.9m
Open order book @ 31 May	£23.0m	£20.7m

Outlook

Solid State plc finished the year in a strategically stronger position, having focussed investment on the areas that will deliver the strategic goals of profitable organic and acquisitive growth building further on the resilient base of our well diversified Group.

The Group is focused on its core markets of "Value Added Distribution of electronic components and displays" and "Manufacturing of electronics technology" delivering rugged high quality products and services across our wide range of sectors. In these sectors, we are well placed to add value at every opportunity, from enquiry to order fulfilment; consistently meeting customer and partner expectations which is at the core of developing our business.

The management have refocussed the Manufacturing division, with an emphasis on new customer lead generation via marketing initiatives and concentration on developing opportunities for higher margin business. The antenna team in our Communications business unit is now seeing an improved level of enquiries. The continued investment in our Power business unit is positioning the business to deliver more complex, higher margin solutions. Likewise, the Computing team are targeting opportunities with increased levels of added value to leverage the engineering and production capability within the business. Overall, these initiatives give us confidence for the future prospects of the Manufacturing division.

The scale and reach of our growing Value Added Distribution division is attracting significant franchises such as VPT which we signed post year end. We continue to develop our value added services such as our sourcing and obsolescence offering, which all provide exciting opportunities for the Division.

Despite choosing not to proceed with several acquisition opportunities over the past year we have identified a number of further acquisition opportunities in Value Added Distribution, Power and Communications which we are actively pursuing.

Through delivering our strategy over the next four years of our five year plan, we are striving to double the size of the business through a combination of organic growth and strategic acquisitions.

Our record open order book, and first quarter order intake are leading edge indicators of future trading and give the Board confidence in the prospects for 2018/2019.

CHIEF EXECUTIVE'S STRATEGIC REPORT (continued)

Cautionary statement

This report contains forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts.

Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could, is confident, or other words of similar meaning.

Undue reliance should not be placed on any such statements because they speak only as at the date of this document and, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Solid State PLC's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are a number of factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions.

Solid State PLC is under no obligation to revise or update any forward looking statement contained within these financial statements, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.

The strategic report on pages 6 to 18 has been approved by the Board of Directors and signed on its behalf by:

G S Marsh
Chief Executive Officer
3 July 2018

CORPORATE AND SOCIAL RESPONSIBILITY REPORT

Code of business conduct, ethics and anti-corruption

Our business conduct policy sets out the values and standards of behaviour expected from all employees. In addition, it addresses expectations relating to the day-to-day conduct of business partners and agents who act as representatives of Solid State PLC.

The policy also deals with how employees, business partners and agents can report any concerns that may arise.

The policy actively promotes corporate social responsibility across our Group. It addresses how we work with a wide range of third party organisations in areas such as ethical employment policies, educational and community work.

It sets out the responsibilities of employees in ensuring that they carry out their business activities in a manner aligned with the Group's values and business principles.

All staff are required to ensure that they comply with all relevant laws and regulations of the countries in which we operate and do business. The policies also set out behaviours that are unacceptable and which could bring Solid State PLC's reputation into disrepute.

The policy contains guidance on avoiding conflicts of interest, confidentiality, adherence to export controls, our approach to gifts and hospitality, bribery and corruption and managing relationships with third parties.

Upholding the policy is the responsibility of all Solid State PLC employees and business partners. We actively encourage everyone to report any behaviour which may be in breach of the Code, is unethical or illegal. This is achieved by fostering a culture of openness and accountability, and by providing a clear procedure that enables any individual to raise breaches of policy or malpractice directly at the highest level.

All those working for, or on behalf of, Solid State PLC are required to confirm that they have read and understood the business conduct policy, and a copy of the policy is readily available to all employees on the Group's intranet.

Commercial business practices

We are committed to acting professionally, fairly and with integrity in all our business dealings and relationships. We work with our partners to adopt best business practices, which include:

In our dealings with customers

Working closely in partnership with customers and potential customers to help us improve the value we can add to them through our products and services;

Being open and honest about our products and services, communicating with customers all appropriate information they need to ensure we consistently meet their expectations;

Ensuring that any issues or problems are dealt with efficiently, with fairness and in a timely manner;

Ensuring that we seek feedback to benchmark and evaluate what we do in order to help us deliver continuous improvement in our products and services to maintain our value.

In our dealings with suppliers

Working with our suppliers to help us improve the value of the products and services we offer to customers with the benefit of the access to the supply chain that we have;

Identifying and selecting suppliers to work in partnership with using fair and reasonable methodologies;

Identifying and working with suppliers who operate to ethical business standards;

Working closely with suppliers to help us improve the value of the products and services we offer customers to the benefit of the supply chain.

In our relationships with employees and other stakeholders

Ensuring employment practices throughout the Group are fair and in full compliance with employment legislation;

Encouraging volunteer work in community activities;

Supporting local academic establishments and participating in voluntary business advisory services via professional bodies.

Confidentiality

Our business conduct policy emphasises the need for confidentiality to be maintained in all of our business activities.

Maintaining confidentiality is a critical part of our culture. Our policy and practices help to ensure that all staff understand what constitutes confidential information and restricts internal access to an on a need to know basis.

Information relating to third parties is not disclosed without the third parties' written consent.

Bribery Act

We implement and enforce effective systems to uphold our zero tolerance approach to bribery and corruption. To ensure we only work with third parties whose standards are consistent with our own, all agents and third parties who act on behalf of the Group are obliged by written agreement to comply with the standards set out in the Code.

Human rights

Solid State PLC is committed to respecting the human rights of all those working with or for us. We do not accept any form of child or forced labour and we will not do business with anyone who fails to uphold these standards.

Modern slavery

The Modern Slavery Act addresses the role of businesses in preventing modern slavery within their organisation and in their supply chains. The Group has a zero-tolerance approach to modern slavery and is committed to acting ethically and with integrity in all of its business dealings and relationships and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in its business or in any of its supply chains. The Group has developed and implemented policies to comply with the requirements of the UK's Modern Slavery Act. Reference to the policy may be found on the corporate website at www.solidstateplc.com.

How we invest in our people

Our success depends on our people. The Group recognises the important role our employees play, and the fact effective teamwork is critical to us achieve our corporate goals.

We strive to make the Solid State Group a "great place to work" where our actions demonstrate this with behaviours that the team deliver each and every day.

This is aimed at providing an environment of team work and collaborative respect, where we are all valued for our contribution and everyone is proud to be part of "the Solid State team".

We maintain equality of opportunity in all employment practices, policies and procedures regardless of race, nationality, gender, age, marital status, sexual orientation, disability and religious or political beliefs. As part of our policies we set out our approach to diversity.

Health and Safety

Solid State PLC places health and safety at the core of all of the business activities to ensure a safe working environment for everyone involved in the business. As a corner stone of our business operations Health and Safety reporting is a standing item on the Board agenda.

All employees are encouraged to take an active role in ensuring that our working environment is a safe place to work and visit by actively reporting all safety observations and incidents, being involved in safety audits, risk assessments and regular awareness training sessions.

The operations teams are actively involved in electronics industry-wide initiatives, working with industry associations and proactively registering under new regulatory directives such as Registration, Evaluation, Authorisation & restriction of Chemicals (REACH) and Waste Electrical and Electronic Equipment recycling (WEEE).

G S Marsh
Chief Executive Officer
3 July 2018

CORPORATE GOVERNANCE REPORT

Statement of compliance against the UK Corporate Governance Guidance

The Board of Directors believes in high standards of corporate governance and is responsible for ensuring that the Group has in place appropriate governance practices and is accountable to shareholders for the Group's performance in this area.

Solid State PLC, as a company trading on the Alternative Investment Market (AIM), a market operated by The London Stock Exchange PLC, is not required to comply with the UK Corporate Governance Code (the "Code"). Nevertheless, the Board will take such measures so far as practicable to comply with the Code and in addition, the Quoted Companies Alliance ("QCA") Guidelines for AIM companies. The Directors have decided to provide corporate governance disclosures and explain how the company adopts the principles of the Code in a manner that is considered appropriate for a smaller AIM company. The Code is available on the website of the Financial Reporting Council (FRC) at: www.frc.org.uk.

The Company is a smaller company for the purposes of the Code, and as a consequence certain provisions of the Code either do not apply to the Company or may be judged to be disproportionate or less relevant in its case.

This statement describes how the Group is applying the relevant principles of governance, as set out in the Code, while acknowledging we are not required to comply and do not comply with every aspect of the Code.

Throughout the year ended 31 March 2018, the Group has continued to apply the principles of the Code and adopt the spirit of the Code. The Board considers that throughout 2017/18, Solid State PLC has sought to comply with the "Main Principles" and "Supporting Principles" of the Code, however as a smaller AIM listed company it has not complied with all of the detailed provisions within the Code.

How the corporate governance principles are adopted at Solid State PLC

This statement addresses the main subject areas of the Code namely leadership, effectiveness, accountability and relations with shareholders.

The Board views maintaining high standards in its governance and management of the affairs of the Group as a fundamental part of discharging its stewardship responsibilities.

Accordingly, both the Board and the Audit Committee continue to keep under review the Group's whole system of internal control, which comprises not only financial controls but also operational controls, compliance and risk management.

This process was in place throughout the 2018 financial year and accords with the Revised Guidance for Directors on Risk Management, Internal Control and Related Financial & Business Reporting (formerly called the Turnbull Guidance).

The Board

At the year-end the Board comprises the Non-Executive Chairman; Mr A B Frere, the Chief Executive Officer; Mr G S Marsh, three Executive Directors and two Non-Executive Directors.

The Board consider none of the Non-Executives to be independent in accordance with the Code, and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The QCA guidelines acknowledge for growing companies it may not be possible for boards to meet the definition of "independence" for Non-Executive Directors, however it sets out that it is important for the board to foster an attitude of independence of character and judgement, and the fact that a Director has served for more than nine years does not automatically affect independence, although concurrent tenure with management could hinder the ability to be objective

Based on the QCA guidelines the board conclude that the Non-Executives are however independent in terms of character and judgement in how they execute their role as Non-Executive Directors.

As such, the Group has chosen not to appoint a senior independent Director in accordance with the Code. However, the Board feels that stability in the Non-Executive team when there have been two changes in the Executive team within the last 2 years, the value, the knowledge, and the experience of the industry and business held by Mr A B Frere, Mr P Haining and Mr J M Lavery far out-weighs the potential lack of perceived independence. The Board has committed to implement a succession plan to appoint a replacement Independent Non-Executive further details are provided on page 24.

The Board is mindful of the threat to independence and actively manages the potential risk to ensure that the Non-Executives provide the independent constructive challenge to help develop the Board's proposals on strategy. The terms and conditions of appointment of the Non-Executive Directors are available for inspection upon request to the Company Secretary.

Rules concerning the appointment and replacement of Directors of the Group are contained in the Articles of Association ("Articles"). Amendments to the Articles must be approved by a special resolution of shareholders. Under the Articles, all Directors are subject to election by shareholders at the first Annual General Meeting following their appointment, and to re-election thereafter at intervals of no more than three years.

The Board has considered the FRC's guidance to companies outside the FTSE 350 to consider the annual re-election of all Directors, and consider that this would be overly burdensome for the current nature of the Group. Biographies of the Directors are set out on page 35. These show the range of business and financial experience upon which the Board is able to call.

The Board's goal is to ensure that its membership should be balanced between Executives and Non-Executives and have the appropriate skills and experience and knowledge of the business. The Board recognises the special position and role of the Chairman under the Code, and has approved the formal division of responsibilities between the Chairman and Chief Executive.

The Chairman is responsible for the leadership of the Board and ensuring its effectiveness, and the Chief Executive manages the Group and has the prime role, with the assistance of the Board, of developing and implementing business strategy.

One of the roles of the Non-Executive Directors under the leadership of the Chairman is to undertake detailed examination and discussion of the strategies proposed by the Executive Directors, so as to ensure that decisions are in the best long term interests of shareholders and take proper account of the interests of the Group's other stakeholders.

The Chairman ensures that meetings of Non-Executive Directors without the Executive Directors are held.

How the Board operates

The Board meets regularly through the year, and is provided with appropriate strategic, operational and financial information prior to each meeting together with monthly reports to enable it to monitor the performance of the Group.

At Board meetings, the Chairman ensures that all Directors are able to make an effective contribution throughout meetings and every Director is encouraged to participate and provide their perspective and opinions. The Chairman always seeks to achieve unanimous decisions of the Board following due discussion of agenda items.

All Directors have direct access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed, and are allowed to take independent professional advice if necessary at the Company's expense.

The Board has a formal schedule of matters referred to it for decision, this list includes appropriate strategic, financial, organisational and compliance issues, including the approval of high level announcements, circulars and the report and accounts and certain strategic and management issues.

Examples of such items include but are not limited to:

- the approval of interim and annual results
- the approval of the annual budget
- approval of acquisitions or disposals
- approval of major items of capital expenditure
- the approval of significant contracts
- approval of changes to corporate or capital structure
- financial issues, including changes in accounting policy, the approval of dividends, bank facilities and guarantees.

Committees of the Board

Executive Committee

The Executive Committee consists of the Executive Directors under the chairmanship of Mr G S Marsh and is responsible for the development of strategy, annual budgets and operating plans linked to the management and control of the day-to-day operations of the Group.

The Executive Committee is also responsible for monitoring key commercial opportunities and relationships, day to day stakeholder engagement and for ensuring that the Board policies are carried out on a Group-wide basis.

Audit Committee

The Audit Committee consists of the Non-Executive Directors; Mr P Haining, Mr J M Lavery and Mr A B Frere. The Committee meets at least twice a year under the Chairmanship of Mr P Haining, who the Board has evaluated to have recent relevant financial experience.

The Chairman of the Audit Committee is not deemed independent by virtue of his length of service and that he has previously held an Executive position. However, given the appointment of a new Executive Group Finance Director in the prior year and the fact that the Board considers that Mr P Haining fulfils the role with of independence of character and judgement, the Board has concluded that it is appropriate to retain the financial experience and knowledge of the business possessed by Mr P Haining in his role as Chairman of the Audit Committee.

The Audit Committee has specific written terms of reference which deal with its authority and responsibilities and these are available for inspection from the Company Secretary. Its duties include monitoring internal controls throughout the Group, approving the Group's accounting policies, and reviewing the Group's interim results and full year financial statements before submission to the full Board. The Audit Committee also reviews and approves the scope and content of the Group's annual risk assessment programme and the annual audit and monitors the independence of the external auditors.

The Audit Committee acts to ensure that the financial performance of the Group is properly recorded and monitored, in fulfilling their role they meet annually with the auditors and review the reports from the auditors relating to accounts and internal control systems.

The Group does not have an independent Internal Audit function, as it is not considered appropriate given the scale of the Group's operations, however the Group operates internal peer reviews, with a scope of evaluating and testing the Group's financial control procedures, to standardise processes around best practice. Any significant issues are reported to the Chairman of the Audit Committee, and shared with the external auditors as appropriate.

The Group Finance Director and the external auditors attend meetings of the Audit Committee by invitation. The Committee also holds separate meetings with the external auditors, as appropriate.

Remuneration Committee

The Remuneration Committee consists of Mr A B Frere, Mr J M Lavery and Mr P Haining. The Committee meets at least twice a year under the Chairmanship of Mr A B Frere.

While the Corporate Governance code suggests the Chairman of the Group should not also be Chairman of the Remuneration Committee, as Mr A B Frere is the only Non-Executive Director not to have held an Executive position, it is felt that it is appropriate that Mr A B Frere chairs this committee.

The Chief Executive and Group Finance Director have attended some of the meetings of the Remuneration Committee by invitation to respond to questions raised by the Committee, but they are excluded from any matter concerning the details of their own remuneration.

The Remuneration Committee has specific terms of reference which deal with its authority and duties and these are available for inspection from the Company Secretary.

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. In fulfilling this responsibility, the Remuneration Committee is responsible for setting salaries, incentives and other benefit arrangements of Executive Directors and overseeing the Group's employee share schemes.

Members of the Remuneration Committee do not participate in decisions concerning their own remuneration.

CORPORATE GOVERNANCE REPORT (continued)

Nominations Committee

During the current financial period there has been no need for the Board to form a nominations committee as a sub-committee of the Board. However where there are nominations for appointment of directors to the Board in the future a nominations committee will be formed in accordance with the guidance issued by the QCA and the FRC.

Attendance at meetings

	Board	Audit Committee	Remuneration Committee
Number of meetings in 2017/18	10	3	2
Attendance			
Executive			
Mr G S Marsh	10	n/a	2
Mr J L Macmichael	10	n/a	n/a
Mr M T Richards	10	n/a	n/a
Mr P O James	10	3	n/a
Non-executive			
Mr A B Frere	10	3	2
Mr P Haining	10	3	2
Mr J M Lavery	9	3	2

Board performance evaluation

The Chief Executive reviews the performance of the Executive Directors on a periodic basis and reports to the Remuneration Committee.

The performance of the Directors, the Chairman and of the Board are monitored on an ongoing basis. Annually the Remuneration Committee evaluates performance as part of the review of remuneration and discretionary bonus awards.

During 2017/18 the Board and the Remuneration Committee evaluated the Board performance, including but not limited to Board balance, Board skills and remuneration, to ensure that the Board structure is fit for purpose and is appropriate for the next phase of the Group’s development and growth.

This review identified that the Board continued to make progress against it strategy albeit the current trading performance fell short of the Board’s expectations. As a result of the disappointing performance in the current year the Executive Directors’ share options did not vest, and no bonuses or salary increases were awarded to any of the Board.

The evaluation also identified that while the Board’s skills and balance were appropriate, and the Non-Executives remained independent in terms of character and judgement in how they execute their role as Non-Executive Directors, the Board acknowledged the need to appoint a truly independent replacement Non-Executive Director.

The Board intend to commence the search process this year with a view to having a new independent Non-Executive Director in place ahead of the 2019 AGM.

CORPORATE GOVERNANCE REPORT (continued)

Shareholder relations

The Board regards regular communications with shareholders as one of its key responsibilities. During 2017/18, the Chief Executive Officer and Group Finance Director met with institutional investors on a regular basis to discuss the Group's performance, the shareholder's views, and to ensure that the strategies and objectives of the Group are well understood.

The Chief Executive Officer keeps the Board fully informed of any significant matters discussed with shareholders and of shareholders' views, in addition to this the Board receives copies of the analysts' reports which the Company is made aware of.

The Non-Executive Directors, having considered the Code, are of the view that this approach to shareholder communication remains appropriate for the Group. However, should shareholders have concerns which they feel cannot be resolved through normal shareholder meetings, the Chairman, and the remaining Non-Executive Directors may be contacted through the Company Secretary.

In addition to the interim and full year-end shareholder roadshows completed by the Executive Directors, the Company arranges investor site visits typically twice a year to enable shareholders and potential shareholders to understand first-hand the business, the operations and meet the wider team. Furthermore, shareholders attending the AGM are invited to ask the Directors questions about the business. The Company also maintains the Group's website, which provides details of the Group's business including its strategy, technologies, operations and products.

The Group website has a separate investor relations section which provides the Group's news flow, share price information, and financial reports including the annual and interim reports. Hard copies of these financial reports are also available by request. The website can be found at: www.solidstateplc.com.

In accordance with the recommendations of the Code, the Company will advise shareholders attending the AGM of the number of proxy votes lodged in respect of each resolution, analysed between 'For', 'Against', 'at the Chairman's discretion' and 'abstentions'. These are advised after the resolutions have been dealt with on a show of hands, providing that a poll has not been called for or required.

Audit and Accountability

The Code requires that Directors review the effectiveness of the Group's system of internal controls on a continuing basis. The scope of the review covers all key controls including financial, operational and compliance controls as well as risk management.

The Board has put in place a framework of internal controls to manage the risks faced by the Group, and the Audit Committee has responsibility to review, monitor and make policy recommendations to the Board upon all such matters.

The Directors acknowledge their responsibility for the Group's system of internal control. The Board, through the Audit Committee, keeps this system under continuous review and formally considers its content and its effectiveness on a bi-annual basis. In completing their review of the effectiveness of the Group's system of internal controls the Audit Committee has taken account of any material developments up to the date of the signing of the financial statements. In addition, recognition is given to the external audit findings, which help to inform the Audit Committee's views of areas of increased risk.

The system of internal control comprises those controls established in order to provide assurance that the assets of the Group are safeguarded against unauthorised use or disposal, and to ensure the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

Any system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss, as it is designed to manage rather than to eliminate the risk of failing to achieve the business objectives of the Group.

The Directors acknowledge their responsibility for preparing the Annual Report and Accounts. The Audit Committee reviews the Group's reporting processes with the aim of ensuring that the financial reporting, when taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Internal Control

In respect of internal controls, the Directors 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.

Further details over the internal controls are set out in the Audit Committee report on page 32

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.

Risk Management

The Board reviews and approves an Annual Budget and Business Plan prior to the start of each financial year. This includes reviewing the key strategic, operational and financial objectives for the year, together with a detailed financial budget.

The Executive Committee is accountable to the Board for delivery of the Annual Business Plan. The Executives report performance against the plan on a monthly basis, which includes detailed analysis of budgetary variances and updated financial projections.

Each Executive Director is responsible for identifying and managing the risks relating to their respective areas of responsibility, including the risks relating to strategy, the Annual Business Plan, and day-to-day business.

To provide a framework for the delivery of the Group's strategy and plans, the Executive Committee has developed an organisational structure with clear roles and responsibilities, and clear lines of reporting.

In addition to day-to-day risk management, the Executive Directors formally assess the major business risks and evaluate their potential impact on the Group. These risks and the reporting of the risk assessment is included in the strategic report on pages 8 to 11.

Going Concern

The Directors, after making enquiries, considering the available resources, the financial forecast together with available cash and committed borrowing facilities, have formed a judgement that there is a reasonable expectation that the Company and the Group have adequate resources to continue operating for the foreseeable future and therefore the going concern basis has been adopted in preparing these financial statements.

In reaching this conclusion, the Board has considered the magnitude of potential impacts resulting from uncertain future events or changes in conditions, the likelihood of their occurrence and the likely effectiveness of mitigating actions that the Directors would consider undertaking.

Long term viability statement

The Directors have considered the viability of the Group over a three year period to 31 March 2021, taking account of the Group's current position and the potential impact of the principal risks and uncertainties documented in the Strategic Report.

In making this statement the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe but reasonable scenarios, and the effectiveness of any mitigating actions.

The Directors have determined that the three-year period to 31 March 2021 is an appropriate period over which to provide its viability statement. In making their assessment, the Directors have taken account of the Group's current funding headroom (see note 18), its ability to raise new finance in most market conditions and other potential mitigating actions.

Based on this assessment, the Directors have a reasonable expectation that the Group and Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2021.

G S Marsh
Chief Executive Officer
3 July 2018

AUDIT COMMITTEE REPORT

The Audit Committee is currently chaired by Mr P Haining FCA, a Chartered Accountant. He is considered by the Board and Audit Committee to have the necessary current relevant financial knowledge, qualifications and experience for this role.

Mr P Haining is not considered independent in accordance with the UK Corporate Governance Code by virtue of previously holding the Executive financial Director role and the length of his tenure on the Solid State PLC Board which, represents an area of non-compliance with the current Code.

However, in accordance with the QCA guidance the Board has reviewed and evaluated Mr P Haining's performance as a Non-Executive Director and confirm that he remains independent in terms of both his character, and his judgement, based on how he conducts himself as a Non-Executive Director and chair of the Audit Committee.

Therefore, given the knowledge, experience and skills of Mr P Haining the Board consider that he remains the most appropriate member of the Board to Chair the Audit Committee.

Primary responsibilities of the audit committee:

- Reviewing the effectiveness of the Group's procedures for the identification, assessment and reporting of risk, financial reporting processes and internal control policies.
- Managing the relationship with the auditors to ensure that the external audit is effective, objective, independent and of a high quality. Furthermore, the Audit Committee ensures that the scope of the audit, the auditors terms of engagement, and fees are reasonable and appropriate.
- Considering whether there is a need for an internal audit function and make a recommendation to the Board as to what is appropriate for the Board to gain assurance over the financial processes, procedures, controls and reporting of the group.
- Reviewing significant financial reporting issues, accounting policies, and judgements and estimates adopted by management and monitoring the integrity of the Group's financial statements independently of the Executive Directors and external auditors.
- Advising the Board on whether the Committee believes the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy

Activities during the year:

The Audit Committee met three times during the year. The meetings were also attended by the Group Finance Director, and representatives of the Group's external auditors by invitation.

At meetings attended by the external auditors, time is allowed for the Audit Committee to discuss issues with the external auditors without the Group Finance Director being present.

As part of the Audit Committee's review process, the Chairman of the Audit Committee and the Group Finance Director visit each of the group's major business units across the year to review and challenge the local management on their draft financial results.

The Chairman reports his observations from these visits to the Audit Committee and the Board as part of the process for approving of the Annual Report and Accounts.

The Committee operates under formal terms of reference and these are reviewed annually. An annual rolling agenda is used to ensure that all matters within the Audit Committee's Terms of Reference during the year are appropriately covered. The Committee considers that it has discharged its responsibilities as set out in its terms of reference to the extent appropriate during the year.

Financial reporting

The Audit Committee reviewed the appropriateness of the Group's interim and full year financial statements, including evaluating the significant financial reporting judgments made by management to ensure that they were appropriate, considering the reports from management and ensuring that the external auditors concurred with management and the committee's conclusions. The main areas of focus considered by the Committee during 2017/18 were as follows:

AUDIT COMMITTEE REPORT (continued)

The presentation of the financial statements, including the presentation of adjusted performance measures.

Following review of reports from management, the Committee concurred that the presentation of the adjusted performance measures is appropriate, balanced and enables the users of the accounts to understand the underlying and on-going performance of the business. In finalising the accounts, the committee noted that the external auditors materially concurred with management and the committee's conclusions.

Review of the early adoption of the new revenue standard IFRS 15.

The Committee reviewed the reports prepared by management which set out the impact of adopting the new standard.

The reports confirmed that there were no incomplete revenue contracts where the revenue recognition would be different, as such there is no amendment or restatement required as a result of adoption of the new Revenue standard IFRS 15, however as set out in the accounts there are a number of immaterial presentation and disclosure changes which have been adopted.

As part of the review and challenge the Committee ensured that the transitional guidance had been applied appropriately in review the on-going contracts at the date of initial application.

The committee also confirmed that the date of initial application as 1 April 2017, with the first reporting period being the 31 March 2018 which reflects early adoption as mandatory adoption is 1 April 2018.

In finalising the accounts where IFRS 15 has been early adopted, the committee noted that the external auditors materially concurred with management and the committee's conclusions.

Review for the potential impairment of goodwill and other intangible assets.

The Committee reviewed and challenged the key assumptions, judgements and sensitivities in the report from management, the Committee concurred that the expected future cash flows of the group support the carrying value of goodwill and other intangible assets, and that there were no triggering events which suggested any potential impairment of goodwill and other intangible assets. In finalising the accounts, the committee noted that the external auditors materially concurred with management and the committee's conclusions.

Review of product development costs capitalised.

Following review of reports from management, and discussion with the Head of Manufacturing Engineering and Operations, the Committee concurred that the product development costs were capital in nature, and that the treatment was in accordance with IAS 38. In finalising the accounts, the committee noted that the external auditors materially concurred with management and the committee's conclusions.

Accounting for R&D tax credits.

Following review of reports from management, and correspondence with the companies' R&D tax advisors, setting out the level of the R&D claim, the level of the R&D tax credit which is deferred and amortised to match to capitalised development programmes, the Committee concurred that the R&D tax credit accounting was appropriate. In finalising the accounts, the committee noted that the external auditors materially concurred with management and the committee's conclusions.

Review of judgemental areas, and specifically the level of accounting provisions.

Following review of reports from management, the Committee concurred that the provisioning policy had been applied consistently and the level of provisions remains appropriate. In finalising the accounts, the committee noted that the external auditors materially concurred with management and the committee's conclusions.

Going concern

The Committee assessed the appropriateness of the going concern assumption. In doing this the committee reviewed the resources available to the Group, taking account of the Group's trading and cash flow forecast together with available funding headroom. Based on this as disclosed on page 26 the committee concluded that the Going Concern principle was appropriate. In finalising the accounts, the committee noted that the external auditors materially concurred with management and the committee's conclusions.

AUDIT COMMITTEE REPORT (continued)

Annual report

At the request of the Board, the Committee considered whether the 2017/18 annual report was fair, balanced and understandable and whether it provided the relevant information for shareholders to assess the Group's performance, business model and strategy.

Having taken account of the other information provided to the Board throughout the year, the Committee was satisfied that, taken as a whole, the annual report was fair, balanced and understandable.

The Committee was satisfied that based on its review, challenge and debate of the draft financial statements and the key accounting items, that the assumptions made, the judgements applied, and the accounting and disclosures were appropriate.

The Committee reviewed and recommended the approval of the narrative reporting statements on corporate governance, internal control and risk management in the annual report and the half year and trading statements.

External auditors

The Audit Committee has developed a formal Auditor Independence Policy. In accordance with this policy, the Committee oversees the relationship with the external auditors and monitors all services provided by them and all fees payable to them. This is to ensure that potential conflicts of interest are considered, and that an independent, objective and professional relationship is maintained.

haysmacintyre has been the Company's external auditors for 9 years. The Committee considers the reappointment of the external auditor and their independence on an annual basis and confirmed the continuing appointment of haysmacintyre.

The Audit Committee are satisfied that haysmacintyre remain independent and objective. This assessment reflects the control procedures that haysmacintyre has put in place to maintain its independence, including the regular rotation of the audit partner.

The current audit partner has reported on Solid State PLC for three years. The provision of external audit and tax compliance are separated where possible. Tax advice is provided by Bevan Buckland LLP and The Kings Mill Practice.

The Audit Committee also monitors the effectiveness of the annual audit. In advance of the financial year end, the Committee receives a detailed audit plan from the auditors which identifies the auditors' assessment of the key risks and their intended areas of focus. This is agreed with the Committee to ensure that the scope and coverage of audit work is appropriate.

In addition, Solid State PLCs management also provide the Committee with feedback on their view quality and effectiveness of the audit. This feedback in considered in conjunction with the Committees own review of the auditor's performance in delivering an effective, objective, independent and of a high-quality audit.

Based on the review completed of this year's services delivered in respect of the 2017/18 audit of Solid State PLC both management and the audit committee were satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and they assessed the quality of the audit process as good.

Non-audit services

The Committee also regularly reviews the nature, extent, objectivity and cost of non-audit services provided by the external auditors. In doing this the Committee does not approve the contract for additional services from them which would compromise their audit independence.

Under this policy, the award to the group's auditors of audit related services, tax consulting services or other non-audit related services in excess of £10,000 must first be approved by the Audit Committee.

The policy also sets out guidelines for the recruitment of employees or former employees of the external auditor. In addition, the group's auditors are required to make a formal report to the Audit Committee annually on the safeguards that are in place to maintain their independence and the internal safeguards in place to ensure their objectivity.

To ensure compliance with this policy the Audit Committee reviewed and approved the remuneration received by haysmacintyre for audit services, audit-related services and non-audit work.

AUDIT COMMITTEE REPORT (continued)

The nature of the services provided by the auditors and the amounts paid to them are as detailed below:

	31 March 18 £'000	31 March 17 £'000
haysmacintyre (group auditors)		
Fees payable to company's auditors for the audit of the parent company accounts and consolidated financial statements	56	4
Fees payable to company's auditor and its associates for other services:		
• The audit of the company's subsidiaries	-	57
• Other assurance services	1	-
• Taxation services	-	1
	_______	_______
Total fees payable to the Group auditors	**57**	**62**
	_______	_______

The audit scope for the year ended 31 March 2018 relates to the audit of the Consolidated Group Accounts and that of the parent company. For the first time in 2018 all UK trading subsidiaries have adopted the exemption from the requirements to file audited financial statements by virtue of section 479A of the Companies Act 2006. In adopting the exemption Solid State PLC has provided a statutory guarantee to these subsidiaries in accordance with section 479C of the Companies Act 2006.

Internal Audit

The Board asks the Audit Committee to annually review the requirement for an internal audit function, having regard to the size of the Group, the costs of such a function versus the likely benefit, and the sufficiency of the assurance to validate the functioning of the system of internal control, given the operational and financial circumstances facing the Group.

Based on the review of the management reporting and external audit assurances over controls and financial reporting, the Audit committee consider there was no requirement for an internal audit function at this time.

As part of this year's audit cycle the documentation and evidence of control environment has been formalised. The divisional Managing Directors and the site financial controllers are obliged to positively confirm, quarterly, that the agreed procedures are in place and are being adhered to, with specific reference to key controls such as bank and control account reconciliations.

It has been reviewed by the Committee, and they remain satisfied with the arrangements. No significant failings or weaknesses were identified by the internal management review and sign off process, but several minor improvements were identified and implemented.

The Committee also considers the discharge of the Board's responsibilities in the areas of corporate governance, financial reporting and internal control, including the internal management of risk, as identified in the FRC's revised guidance on Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Risk management activities are dealt with in more detail in the Strategic Report on pages 8 to 11.

AUDIT COMMITTEE REPORT (continued)

Internal control

The Audit Committee reviews the effectiveness of the Group's system of internal controls and risk management activities bi-annually as part of the half year end and full year public reporting.

The key procedures that the Directors have established with a view to providing effective internal control include the following:

- a clearly defined organisational structure and delegated limits of authority;
- Group policies and procedures in respect of financial reporting and control, contract approval, project appraisal, human resources, quality control, health and safety, information security and corporate governance and compliance;
- the preparation of annual budgets and regular forecasts which are approved by the Board;
- the monitoring of performance against budget and forecasts and the reporting of any variances in a timely manner to the Board;
- regular review and self-assessment of the risks to which the group is exposed, taking steps to monitor and mitigate these wherever possible;
- where appropriate, taking out insurance cover; and,
- approval by the Audit Committee of audit plans and, on behalf of the Board, receipt of reports on the group's accounting and financial reporting practices and its internal controls together with reports from the external auditors as part of their normal audit work.

P Haining FCA
Secretary
3 July 2018

DIRECTORS' REPORT (continued)

The Directors submit their report together with the audited financial statements of the Group in respect of the year ended 31 March 2018.

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 value added distribution of electronic components and materials.

The key performance indicators recognised by management are set out in the KPI section of the strategic report on page 17.

An overall review of the Group's trading performance and future developments is given in the Chairman's Statement and Strategic Report. Other than as reported in the corporate and social responsibility section of this 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
J L Macmichael
J M Lavery
P Haining, FCA
M T Richards
P O James, BSc FCA

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 Quoted Companies Alliance (QCA) and the UK Corporate Governance Code which was issued by the Financial Reporting Council in April 2016.

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. Details of how the Group has adopted the corporate governance principles are set out in the corporate governance report on pages 21 to 27

Internal Control

Details of the use of the board has implemented its internal control framework and processes are set out in the corporate governance report on pages 21 to 27.

Board of Directors

The structure and operation of the Board of Directors is set out in the corporate governance report on pages 21 to 27.

Principal risks and uncertainties

Details of the principal risks and uncertainties of the Group are set out in the strategic report on pages 8 to 11.

Financial Instruments

Details of the use of financial instruments by the Group are contained in note 19 of the financial statements.

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 6 September 2017. This authority expires on 6 March 2019.

DIRECTORS' REPORT (continued)

Research and Development

During the year the Group has continued to invest in research and development in partnership with some of its customers to develop technical electronic solutions to address the demand of our customers in its core markets of Electronic communications, Mobile Battery Power and Rugged and industrial computing. During the year we invested in excess of £1.2m (2017: £1.3m) in research and development. The Company continues to claim R&D tax credits where we are eligible.

Share options award

On 1 June 2017 the company granted options to the Executive Directors (who previously had no outstanding options) under the Company's Long Term Incentivisation Plan, as detailed in note 5 and 24.

Going Concern

Further details are set out in the corporate governance report on pages 21 to 27.

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 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 10% 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.

Tony Frere (dob: October 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: April 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 he was appointed Chief Executive Officer of the Group.

Peter James, (dob: June 1979), Director
Peter James qualified as a Chartered Accountant with PricewaterhouseCoopers LLP (PwC) in 2003. He was appointed to the Board of Solid State PLC in February 2017. Before joining Solid State PLC, Peter was Group Financial Controller at IQE plc where he was a key member of the senior leadership team successfully completing two significant transactions, funded through an equity fund raising and a global refinancing. Subsequently Peter was a key member of the integration and standardisation team, aligning the enlarged Group with its customer markets serviced by manufacturing sites, delivering improved efficiency and material cost savings. As a Senior Manager with PwC Peter gained a wide range of experience in Audit and Financial Due Diligence working with and advising a broad range of companies in a variety of sectors, including multinational main market and AIM listed companies. In addition, on a voluntary basis Peter is a Non-Executive Director for the British Water Ski and Wakeboard Federation Limited providing independent financial oversight as Chair of the Audit and Finance Committee.

John Macmichael, (dob: April 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.

Matthew Richards, (dob: October 1963), Director
Matthew Richards was appointed as Managing Director of Steatite Limited in April 2016. Matthew comes to the Board with 30 years of experience in the defence electronics industry. He has a track record of success in both private and public companies, most recently as Senior Vice President and Managing Director at API Technologies Corp running operations in the UK, Canada and USA, specialising in RF and Security solutions with a focus on high reliability and harsh environment applications. Prior to that, Matthew held business development and sales leadership roles with the L3 Corporation. He has extensive experience dealing with the Government customers at home and abroad having travelled extensively in Europe, the Middle East and Asia. Matthew started his career installing and commissioning terrestrial and satellite antennas systems for broadcast and military users before moving into sales in the early 1980s.

John Lavery, (dob May 1961), Non-Executive 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 year's training with the Institute of Directors for Corporate Governance, before being appointed Managing Director of Steatite in 1999. Following the appointment of Matthew Richards with effect from 31 July 2016, John Lavery became a Non-Executive Director of the Group.

Peter Haining FCA, (dob: September 1956), Non-Executive 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.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the Group and parent company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company to 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. In addition, the Directors are responsible the maintenance and integrity of the corporate and financial information included in the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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 parent 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 parent 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
3 July 2018

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

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

We have audited the financial statements of Solid State Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity, and the related notes. The financial reporting framework that has been applied in the preparation of both 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 including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice)

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 2018 and of 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.

Who we are reporting to

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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Revenue recognition Under International Standards on Auditing (UK) 240 'The Auditors' Responsibilities Relating to Fraud in an Audit of Financial Statements' there is a rebuttable presumed risk that revenue may be misstated due to improper recognition. Revenue is the most significant item in the consolidated income statement and impacts the majority of key performance indicators set out in the Chief Executive's strategic report. Revenue substantially arises from the sale of goods, which was the focus of our audit procedures. The risk of inappropriate revenue recognition arises from the following: • Recognition of revenue in the wrong period; • Revenue recognised is not in line with the Group policy and IFRS; and • Manipulation of year-end revenue through management override.	We tested the correct application of the timing of revenue recognition through substantive testing and, where appropriate, we also tested internal controls surrounding revenue recognition. Our audit work included, but was not restricted to: • Reviewing revenue recognition treatments applied and determined whether these are consistent with Group accounting policies and IFRS; • testing a sample of sales transactions recorded either side of the year-end including a review of the terms of shipment for correct application of cut-off; • substantively testing a sample of sales transactions to proof delivery documentation ensuring that the significant risks and rewards had been passed to the customer on recognition of revenue; and • completing high level analytical review of revenue recognised in the year to identify significant fluctuations and trends and obtained explanations for unusual variances. **Key observations** Our audit work did not identify any material errors in the occurrence of revenue recognised in the year or any material instances of revenue not being recognised in accordance with the stated accounting policy.
Capitalisation of Research and Development costs There is a risk of inappropriate capitalisation of Research and Development costs. Costs could be capitalised which do not meet the criteria for intangible assets under IAS 38.	Our audit work included but was not restricted to: • reviewing the costs which have been capitalised in line with the criteria defined under IAS 38; • Substantively testing a sample of the costs capitalised with agreement to supporting documentation; and • testing that the stated accounting policies had been applied accurately and consistently; and **Key observations** Our audit work did not identify any material errors in the capitalisation of research and development costs.

Key audit matter	How the matter was addressed in the audit
Carrying value of goodwill and other separately identifiable intangible assets	
There is a risk that the carrying value of intangible assets, including goodwill and separately identifiable intangible assets are over-stated.	Our audit work included but was not restricted to: • considering the stated accounting policies in respect of intangible asset recognition and whether these were consistent with International Accounting Standard ('IAS') 38 'Intangible Assets'; • assessing the impairment reviews prepared by management and scrutinising the assumptions and forecasts within them; • reviewing both trading Divisions, as well as the Group's current performance and forecasts; and • discussions with management around any potential trigger events for impairment. **Key observations** Our audit work identified that there was no issues around the carrying value of goodwill and other separately identifiable intangible assets.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on the financial statements and our audit. Materiality is used so we can plan and perform our audit to obtain reasonable rather than absolute assurance about whether the financial statements are free from material misstatement. The level of materiality we set is based on our assessment of the magnitude of misstatements that individually or in aggregate, could reasonably be expected to have influence on the economic decisions the users of the financial statements may take based on the information included in the financial statements.

Based on our professional judgement the level of overall materiality we set for the financial statements is outlined below:

Financial statement materiality	£300,000
Benchmark applied	Materiality has been based on consideration of revenue and adjusted profit before tax. Materiality represents 0.6% of group revenue and 10% of adjusted group profit before tax.
Basis chosen for benchmark	We used revenue and adjusted profit before tax to calculate our materiality as, in our view, these are the most relevant measure of the underlying financial performance of the Group and are a key financial measure for the Directors and stakeholders.

On the basis of our risk assessments, together with our assessment of the Group's control environment, our judgement was that performance materiality was approximately 75% of our financial statement materiality, namely £225,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £15,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified during the course of assessing the overall presentation of the financial statements.

Parent Company materiality has been set at £300,000 which is 2.5% of the company's total prior year assets. This benchmark is considered the most appropriate because the entity is a holding company, and so its asset base is more relevant to the activities of the parent company. Performance materiality was set at 75% of the parent company materiality namely £225,000. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £15,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business. We take into account the size and risk profile of each entity, any changes in the business and other factors when determining the level of work to be performed on the group financial information, which in particular included:

- We have performed full scope audit procedures on the financial statements of Solid State Plc. The two trading subsidiary companies, Steatite Limited and Solid State Supplies Limited have applied section 479A of the Companies Act 2006 and are exempt from audit on the basis that they have been guaranteed by Solid State Plc;
- As a result of the above we have audited subsidiary entity transactions and balances to Group materiality level as detailed above;
- We have performed systems and controls review including walkthrough tests for each separate system in operation. Whilst the accounting function is located at the main offices in Redditch separate systems are used for the two trading subsidiaries;
- Our audit approach was predominantly substantive in nature; and
- We also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic Report and Board Reports set out on pages 3 to 36, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we a required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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 not 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.

Responsibilities of directors for the Financial Statements

As explained more fully in the directors' responsibilities statement set out on page 36 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

George Crowther (Senior Statutory Auditor)
For and on behalf of haysmacintyre, Statutory Auditors
10 Queen Street Place, London, EC4R 1AG
Date: 3 July 2018

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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

Continuing Operations	Notes	2018 £'000	2017 £'000
Revenue	2	46,268	40,021
Cost of sales		(33,525)	(27,994)
		_______	_______
Gross profit		12,743	12,027
Sales, general and administration expenses		(10,229)	(9,291)
		_______	_______
Profit from operations	3	2,514	2,736
Finance expense	6	(33)	(42)
		_______	_______
Profit before taxation		2,481	2,694
Tax expense	7	(238)	(405)
		_______	_______
Adjusted profit after taxation		2,663	2,693
Adjustments to profit	29	(420)	(404)
Profit after taxation		2,243	2,289
Loss from discontinued operations	28	-	(438)
		_______	_______
Profit attributable to equity holders of the parent		2,243	1,851
		_______	_______
Other comprehensive income		-	-
		_______	_______
Total comprehensive income for the year		2,243	1,851
		_______	_______

Earnings per share		2018	2017
Basic EPS from continuing operations		26.5p	27.2p
Basic EPS from discontinued operations		-	(5.2p)
Basic EPS from profit for the year	8	26.5p	22.0p
Diluted EPS from continuing operations		26.0p	26.7p
Diluted EPS from discontinued operations		-	(5.1p)
Diluted EPS from profit for the year	8	26.0p	21.6p

Adjusted EPS measures are reported in note 8 to the accounts.

The notes on pages 47 to 84 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share Capital £'000	Share Premium Reserve £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Shares held in Treasury £'000	Total Equity £'000
Balance at 31 March 2017	425	3,629	5	12,826	(243)	16,642
Total comprehensive income for the year ended 31 March 2018	-	-	-	2,243	-	2,243
Dividends	-	-	-	(1,015)	-	(1,015)
Share based payment credit	-	-	-	150	-	150
	______	_______	_______	_______	_______	_______
Balance at 31 March 2018	425	3,629	5	14,204	(243)	18,020
	______	_______	_______	_______	_______	_______

	Share Capital £'000	Share Premium Reserve £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Shares held in Treasury £'000	Total Equity £'000
Balance at 31 March 2016	421	3,629	5	11,991	(281)	15,765
Total comprehensive income for the year ended 31 March 2017	-	-	-	1,851	-	1,851
Issue of new shares	4	-	-	-	-	4
Dividends	-	-	-	(1,016)	-	(1,016)
Transfer of shares to all employee share ownership plan	-	-	-	-	38	38
	______	_______	_______	_______	_______	_______
Balance at 31 March 2017	425	3,629	5	12,826	(243)	16,642
	______	_______	_______	_______	_______	_______

The notes on pages 47 to 84 form part of these financial statements.

Company Number: 00771335

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 March 2018

		2018		Re-presented 2017	
	Notes	£'000	£'000	£'000	£'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	10	2,253		2,406	
Intangible assets	11	6,167		6,224	
TOTAL NON-CURRENT ASSETS			8,420		8,630
CURRENT ASSETS					
Inventories	14	6,823		5,577	
Trade and other receivables	15	10,048		8,325	
Cash and cash equivalents		575		909	
TOTAL CURRENT ASSETS			17,446		14,811
TOTAL ASSETS			25,866		23,441
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	16	5,718		5,338	
Contract liabilities	17	1,317		810	
Corporation tax liabilities		384		324	
TOTAL CURRENT LIABILITIES			7,419		6,472
NON CURRENT LIABILITIES					
Deferred tax liability	20	427		327	
TOTAL NON-CURRENT LIABILITIES			427		327
TOTAL LIABILITIES			7,846		6,799
TOTAL NET ASSETS			18,020		16,642
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
Share capital	21		425		425
Share premium reserve	22		3,629		3,629
Capital redemption reserve	22		5		5
Retained earnings	22		14,204		12,826
Shares held in treasury	23		(243)		(243)
TOTAL EQUITY			18,020		16,642

The financial statements were approved by the Board of Directors and authorised for issue on 3 July 2018 and were signed on its behalf by:

G S Marsh, *Director* **P O James,** *Director*

The notes on pages 47 to 84 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018		2017	
	£'000	£'000	£'000	£'000
OPERATING ACTIVITIES				
Profit before taxation including discontinued operations		2,481		2,155
Adjustments for:				
Depreciation		489		447
Amortisation		406		387
Profit on disposal of property, plant and equipment		(11)		(17)
Loss on disposal of intangible fixed assets		-		28
Share based payment expense		150		-
Finance costs		33		42
Other		-		38
Profit from operations before changes in working capital and provisions		3,548		3,080
(Increase)/decrease in inventories	(1,246)		626	
(Increase)/decrease in trade and other receivables	(1,723)		6,179	
Increase/(decrease) in trade and other payables	779		(548)	
		(2,190)		6,257
Cash generated from operations		1,358		9,337
Income taxes paid	(6)		(185)	
Income taxes recovered	39		-	
		33		(185)
Net cash flow from operating activities		1,391		9,152
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(402)		(1,477)	
Purchase of intangible assets	(349)		(426)	
Proceeds of sales from property, plant and equipment	77		183	
Consideration paid on acquisition of subsidiaries	-		(1,941)	
Overdraft with subsidiaries over which control has been obtained	-		(114)	
Net cash flow from investing activities		(674)		(3,775)
FINANCING ACTIVITIES				
Issue of ordinary shares	-		4	
Interest paid	(33)		(42)	
Dividend paid to equity shareholders	(1,018)		(1,026)	
Net cash flow from financing activities		(1,051)		(1,064)
(Decrease)/increase in cash and cash equivalents		(334)		4,313

The notes on pages 47 to 84 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2018 (continued)

	2018 £'000	2017 £'000
Net (decrease)/increase in cash and cash equivalents	(334)	4,313
Cash and cash equivalents at beginning of year	909	(3,404)
Cash and cash equivalents at end of year	575	909

There were no significant non-cash transactions. Cash and cash equivalents comprise:

	2018 £'000	2017 £'000
Cash available on demand	575	909

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS

Solid State PLC ("the Company") is a public company incorporated, domiciled and registered in England and Wales in the United Kingdom. The registered number is 00771335 and the registered address is: 2 Ravensbank Business Park, Hedera Road, Redditch, B98 9EY.

Basis of preparation

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.

As allowed by IFRS 1, we have elected not to apply IFRS retrospectively for business combinations computed prior to 1 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 (1 April 2006) and at the end of each financial year thereafter.

The Group financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

Going concern

The Group meets its day to day working capital requirements through its bank facilities and available cash. The Group's forecasts and projections taking account of reasonable possible changes in trading performance show that the Group has adequate resources to continue as a operate for the foreseeable future. As such the going concern basis of accounting has been used in the preparation of these financial statements. The directors have not identified any material uncertainties in this regard.

Changes in accounting policy and disclosures

New standards, amendments and interpretations.

The following new standards, amendments and interpretations have been adopted by the group for the first time for the financial year beginning on the 1 April 2017:

- Amendment to IFRS 12 Disclosure of interests in other entities clarifying scope;
- Amendment to IAS 7 Statement of cashflows on disclosure initiative; and,
- Amendment to IAS 12 Income taxes on recognition of deferred tax assets for unrealised losses.

The adoption of these standards and amendments has not had a material impact on the Groups consolidated financial statements.

In addition, the Group has early adopted IFRS 15 as issued in May 2014; in accordance with the transition provisions in IFRS 15 the new rules have been adopted retrospectively and comparatives for the 2017 financial year have been restated if appropriate.

There was no impact on the revenue recognised in the current financial year or the comparative period as a result of the adoption of IFRS 15 therefore a restatement is not necessary. The reported net assets remain unchanged.

However, there are some presentational and disclosure changes which have been reflected in the report and accounts. The main change is explained below:

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Solid State PLC has voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of IFRS 15:

- Contract liabilities in relation to unfulfilled performance obligations where we have received proforma payments were previously included in deferred income (2017: £570k).
- Contract liabilities in relation to provisions for returns were previously netted off trade and other receivables. (2017: £240k).

These reclassifications have been reflected in the current year and comparative balance sheet. The revenue recognition accounting policy has been updated in accordance with IFRS 15 below.

New standards, amendments and interpretations to published standards issued but not yet effective and not early adopted

A number of new standards, amendments and interpretations to existing standards have been published that will be mandatory for the Group's accounting periods beginning on or after 1 April 2018 or later periods and which the Group has decided not to adopt early are listed below. The Group intends to adopt these standards when they become effective.

- Annual improvements 2014-2016 cycle (effective for accounting periods beginning or after 1 January 2018)
- Amendments to IFRS 2 Share-based Payment to clarify the classification and measurement of certain share based payment transactions (effective for accounting periods beginning or after 1 January 2018)
- IFRS 9 Financial Instruments (effective for accounting periods beginning or after 1 January 2018).
- IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019)
- Amendments to IAS 12 Income Taxes (effective for accounting periods beginning on or after 1 January 2017)
- IFRIC 22 Foreign currency translation of advanced consideration (effective for accounting periods beginning or after 1 January 2018)
- IFRIC 23 Uncertainty over income tax treatments (effective for accounting periods beginning or after 1 January 2019) this standard has not yet been endorsed by the EU.

Of the standards and interpretations in issue but not yet effective only IFRS 16 is expected to have any potentially material impact on the results and financial position of the Group. IFRS 16 is expected to be effective from 1 January 2019 and in its current form requires all leases to be reflected on-balance sheet. The potential impact of IFRS 16 on the Group is being assessed.

Under IFRS 16 'Leases', lessees will be required to apply a single model to recognise a lease liability and asset for all leases, including those classified as operating leases under current accounting standards, unless the underlying asset has a low value, or the lease term is 12 months or less. The adoption of IFRS 16 will have a significant impact on the financial statements as each lease will give rise to a right of use asset which will be depreciated on a straight line basis, and a lease liability with a related interest charge. This depreciation and interest will replace the operating lease payments currently recognised as an expense. The impact will depend on the transition approach and the contracts in effect at the time of the adoption.

At 31 March 2018, operating lease commitments were £1.3m (see note 25) and operating lease payments for 2018 were £0.4m (see note 3).

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Principle of consolidation

The consolidated financial statements incorporate the financial results and position of the Parent and its subsidiaries.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

Business combinations

The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Impairment of non-financial assets

Non financial assets that have an indefinite useful life (e.g. Goodwill) or other intangible assets which are not ready to use and therefore not subject to amortisation (e.g. on going incomplete R&D programmes) are reviewed at least annually for impairment.

Impairment tests on goodwill are undertaken annually on 31 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 (i.e. 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 sales, general and administration 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.

Intangible Assets

a) Goodwill

Goodwill arising on an acquisition is recognised as an asset and initially measured at cost, being the excess of the fair value of the consideration over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is not amortised. However, it is reviewed for potential impairment at least annually or more frequently if events or circumstances indicate a potential impairment. For the purpose of impairment testing, goodwill is allocated to each of the Cash Generating Units to which is relates. Any impairment identified is charged directly to consolidated statement of comprehensive income. Subsequent reversals of impairment losses for goodwill are not recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018 (continued)

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

b) Development costs

Expenditure incurred that is directly attributable to the development of new or substantially improved products or processes is recognised as an intangible asset when the following criteria are met:

- the product of process is intended for use or sale;
- the development is technically feasible to complete;
- there is an ability to use or sell the product or process;
- it can be demonstrated how the product or process will generate probable future economic benefits;
- there are adequate technical, financial and other resources to complete the development; and
- the development expenditure can be reliably measured.

Directly attributable costs refers to the materials consumed; the directly attributable labour; and the incremental overheads incurred in the development activity. General operating costs, administration costs and selling costs do not form part of directly attributable costs.

All research and other development costs are expensed as incurred.

Capitalised development costs are amortised on a straight line basis over the period, during which the economic benefits are expected to be received, which range between 2 and 5 years. Amortisation expense is included within sales, general and administration expenses in the statement of comprehensive income.

The estimated remaining useful lives of development costs are reviewed at least on an annual basis. Amortisation commences once the project is completed and revenues are being generated.

The carrying value of capitalised development costs is reviewed for potential impairment at least annually, or more frequently if events or circumstances indicate a potential impairment. Any impairment identified is immediately charged to the consolidated statement of comprehensive income.

c) Software

Externally acquired software 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. In addition directly attributable costs incurred in the development of bespoke software for the Group's own use are capitalised.

The useful economic life over which the software is being amortised has been assessed to be 3 to 5 years.

The carrying value of capitalised software costs is reviewed for potential impairment at least annually, or more frequently if events or circumstances indicate a potential impairment. Any impairment identified is immediately charged to the consolidated statement of comprehensive income.

The costs of maintaining internally developed software, and annual licence fees to utilise third party software, are expensed as incurred.

d) Other intangibles

Other intangible assets are those which arise on business combinations in accordance with IFRS 3 revised. These intangible assets form part of the identifiable net assets of an acquired business and are recognised at their fair value and amortised on a systematic basis over their useful economic life which is 5 to 10 years. This includes customer relationships, the fair value of which has been evaluated using the multi period excess earnings method "MEEM".

The MEEM model valuation was cross checked to the cost of product development and customer qualification to which the relationships relate.

Capitalised acquisition intangibles are amortised on a straight line basis over the period, during which the economic benefits are expected to be received, which typically range between 5 and 10 years. Amortisation expense is included within sales, general and administration expenses in the statement of comprehensive income.

The carrying value of other intangible assets is reviewed for potential impairment at least annually, or more frequently if events or circumstances indicate a potential impairment. Any impairment identified is immediately charged to the consolidated statement of comprehensive income.

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Property, plant and equipment

Property, plant and equipment is stated at historical cost or deemed cost where IFRS 1 exemptions have been applied, less accumulated depreciation and any recognised impairment losses.

Costs include the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use including any qualifying finance expenses.

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

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated net realisable value. Gains and losses on disposal are determined by comparing proceeds with carrying amounts. These are included in the consolidated statement of comprehensive income.

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.

Trade receivables

Trade and other receivables are initially recognised at fair value and subsequently held at amortised cost less any provisions for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

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 consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as noncurrent liabilities. They are initially recognised at fair value and subsequently held at amortised cost.

Contract liabilities

Contract liabilities comprise payments in advance of revenue recognition and revenue deferred due to contract performance obligation not being completed. They are classified as current liabilities if the contract performance obligations payment are due to be completed within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as noncurrent liabilities. Contract liabilities are recognised initially at fair value, and subsequently stated at amortised cost.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Borrowing costs are expensed using the effective interest method.

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

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.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Treasury Shares

Where any Group company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

These shares are held in a separate negative reserve in the capital section of the consolidated statement of financial position. Any dividends payable in relation to these shares are cancelled.

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

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.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. Transactions are classified as exceptional where they relate to an event that falls outside of the ordinary activities of the business and where individually or in aggregate they have a material impact on the financial statements.

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.

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Revenue

The Group manufactures and distributes a range of electronic equipment. Revenue comprises sales to external customers after discounts, excluding value added taxes.

The Group's performance obligations with respect to physical goods is to deliver a finished product to a customer.

Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full control over the products supplied, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

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.

Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days, which is consistent with market practice. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a returns provision. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Directors, who are responsible for allocating resources and assessing performance of the operating segments.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Executive Directors assess the performance of the operating segments based on the measures of revenue, Profit Before Taxation (PBT) and Profit After Taxation (PAT). Central overheads, are not allocated to the business segments.

Pensions

The pension schemes operated by the Group are defined contribution schemes. The pension cost charge represents the contributions payable by the Group.

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Current and deferred taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

Taxable profit differs from accounting profit because it excludes certain items of income and expense that are recognised in the financial statements but are treated differently for tax purposes. Current tax is the amount of tax expected to be payable or receivable on the taxable profit or loss for the current period. This amount is then amended for any adjustments in respect of prior periods.

Current tax is calculated using tax rates that have been written into law ('enacted') or irrevocably announced/committed by the respective Government ('substantively enacted') at the period-end date. Current tax receivable (assets) and payable (liabilities) are offset only when there is a legal right to settle them net and the entity intends to do so. This is generally true when the taxes are levied by the same tax authority.

Because of the differences between accounting and taxable profits and losses reported in each period, temporary differences arise on the amount certain assets and liabilities are carried at for accounting purposes and their respective tax values. Deferred tax is the amount of tax payable or recoverable on these temporary differences.

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.

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 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 consolidated statement of comprehensive income over the remaining vesting period.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong.

Estimated useful life of research and development and intangible assets arising on acquisitions

The periods of amortisation adopted to write down capitalised product and process development requires judgements to be made in respect of estimating the useful economic lives of the intangible assets to determine an appropriate amortisation rate.

Capitalised development costs are amortised straight line over the period during which economic benefits are expected to be received which is typically 2 – 5 years. Intangible assets arising on acquisitions are amortised straight line over the period during which economic benefits are expected to be received which is typically 5 – 10 years.

The amortisation charge for capitalised development costs in the current year is £160k; if the lives were reduced by one year across all the projects which are being amortised the charge would increase by £124k.

The amortisation charge for intangible assets arising on acquisitions in the current year is £219k; if the lives were reduced by one year across all the intangible assets which are being amortised the charge would increase by £25k.

Recognition criteria for capitalisation of development expenditure

The Group capitalises research and development in accordance with IAS 38. There is judgement in respect of when R&D projects meet the requirement for capitalisation, which internal costs are directly attributable and therefore appropriate to capitalise and when the development programme is complete, and capitalisation should cease.

Amounts capitalised include the total cost of any external products or services and labour costs directly attributable to the development programme. Management judgement is involved in determining the appropriate internal costs to capitalise and the amounts involved.

If there is any uncertainty in terms of the technical feasibility, ability to sell the product or any other risk that means the programme does not meet the requirements of the standard the R&D costs are expensed within the consolidated statement of comprehensive income.

Estimation of level of R&D expenditure which is eligible for R&D tax credits under the SME and large company scheme.

Uncertainties exist in relation to the interpretation of complex tax legislation, changes in tax laws and the amount and timing of future taxable income. This could necessitate future adjustments to taxable income and expense already recorded.

At the year-end date, tax liabilities and assets reflect management's judgements in respect of the application of the tax regulations, in particular the R&D tax regulations and management's estimate of the future amounts that will be settled.

In assessing our year-end corporation tax liability, we have made a provisional assessment as to the likely amount of development expenditure that will be eligible under each of the HMRCs large company and SME R&D tax credit schemes as the detailed tax computations have not been completed.

Our judgement at year end assumed that the level of eligible spend was comparable with prior years. At 31 March 2018 there are current and deferred tax provisions totalling £811k.

Due to the uncertainties noted above, it is possible that the Group's initial estimates are different to the final position adopted when the tax computation is finalised, resulting in a different tax payable or recoverable from the amounts provided.

Estimated goodwill impairment

Goodwill is not amortised; however, it is reviewed for impairment at least annually or more frequently if events or circumstances indicate a potential impairment. For the purpose of impairment testing Goodwill is allocated to each of the cash generating units (CGU) to which it relates.

The impairment assessment is made based on the discounted future cashflows of the CGU. Forecasting the future cashflows requires judgement. The key assumptions made in preparing the discounted future cashflows and the sensitivities are set out in note 12.

Provisions for returns

The Group provides for an estimate of sales returns at the year end, which reduces product sales and accounts receivable, and increases stock. This provision is estimated by management based on historical experience and judgement on current contract sales.

The estimation process used to determine the provision has been applied on a consistent basis with previous years and no material adjustments have been necessary to increase or decrease these reserves as a result of a significant change in underlying estimates.

Due to the significant value of sales in the Group, the difference between the actual and estimated returns could impact operating results both positively and negatively.

Provisions for slow moving or obsolete inventories

Inventories are carried at the lower of cost and net realisable value (NRV). NRV is reviewed in detail on an on going basis and provision for obsolete inventory is made based on a number of factors including age of inventories, the risk of technical obsolescence and the expected future usage.

Differences between such estimates and actual market conditions may have a material impact on the amount of the carrying value of inventories and may result in adjustments to cost of sales. See note 14 for details of the inventory provisions and the amounts written off to consolidated statement of comprehensive income in the year.

Share based payments expense

Non market performance and service conditions are included in the assumptions about the number of options that are expected to vest. At the end of each reporting period the Group revises its estimates of the number of options that are expected to vest based on the non market vesting conditions. It recognises the impact of the revision to the original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

This requires a judgement as to how many options will meet the future vesting criteria. None of the Director's options that were potentially available to vest at the end of the current financial year met performance criteria, therefore they have lapsed at year end.

The judgment adopted in calculating the current year charge is that 30% of the 2018/19 and 19% of the 2019/20 options will meet the non market vesting criteria. If 100% of the options were expected to vest the share based payments expense in the year would be £168k higher.

2. REVENUE

The Group derives revenue from the transfer of goods at a point in time in the following major product lines and geographical regions:

	2018 £'000	2017 £'000
United Kingdom	36,001	32,199
Rest of Europe	5,013	5,061
Asia	1,972	1,511
North America	2,991	900
Rest of World	291	350
Total revenue	46,268	40,021

	2018 £'000	2017 £'000
Computing products	10,876	13,514
Communications products	4,690	2,843
Power products	11,017	7,185
Electronic Components and modules	19,685	16,479
Total revenue	46,268	40,021

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018 (continued)

3. PROFIT FROM OPERATIONS

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

	2018 £'000	2017 £'000
Continuing charges /(credits)		
Staff costs (see note 4)	8,174	7,243
Depreciation of property, plant and equipment	489	447
Amortisation of intangible assets	406	387
Profit on disposal of property, plant and equipment	(11)	(17)
Loss on disposal of intangible assets	-	28
Auditors' remuneration:		
Audit fees	56	4
Audit of accounts of associates of the company pursuant to legislation	-	57
Non audit fees:		
Taxation advisory services	-	1
Other advisory services	1	-
Operating lease rentals:		
Plant and machinery	45	27
Other	371	333
Research and development costs (includes relevant staff costs)	914	989
Foreign exchange differences	171	(125)
Stock write downs	547	597
Discontinued charges		
Staff costs (see note 4)	-	269
Employment termination costs (included in staff costs)	-	48
Research and development costs (includes relevant staff costs)	-	502

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

Details of transactions with businesses associated with the Directors are given in note 5.

As set out in the audit committees report the UK trading subsidiaries are exempt from the requirements to have an audit and file audited financial statements by virtue of section 479A of the Companies Act 2006. In adopting the exemption Solid State PLC has provided a statutory guarantee to these subsidiaries in accordance with section 479C of the Companies Act 2006, therefore the basis of the audit fees is not comparable with the prior year.

4. STAFF COSTS

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

	2018 £'000	2017 £'000
Wages and salaries	7,080	6,488
Social security costs	762	694
Other pension costs	332	330
Total staff costs	8,174	7,512

Wages and salaries include termination costs of £75k (2017: £48k)

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

	2018 Number	2017 Number
Selling and distribution	100	98
Manufacturing	90	90
Management and administration	26	28
	216	216

Key management is considered to be Group Board Directors. Therefore, the key compensation is disclosed in note 5 Directors emoluments, interests and services contracts.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018 (continued)

5. DIRECTORS'

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

31 March 2018	Salary/ Fees £'000	Benefits in kind £'000	Total emoluments £'000	Pension contributions £'000	Total £'000
G S Marsh	167	40	207	7	**214**
P O James	120	51*	171	1	**172**
J L Macmichael	140	26	166	2	**168**
M T Richards	140	31	171	1	**172**
A B Frere	12	-	12	-	**12**
P Haining	12	-	12	-	**12**
J M Lavery	12	2	14	-	**14**
Total	**603**	**150**	**753**	**11**	**764**

* benefits in kind in the year for Mr P O James included a relocation allowance of £25k.

£57k of the current year share based payments charge relates to the Directors (2017: £nil).

31 March 2017	Salary/ Fees £'000	Benefits in kind £'000	Total emoluments £'000	Pension contributions £'000	Total £'000
G S Marsh	163	38	201	5	**206**
P O James (appointed 20 February 2017)	11	3	14	-	**14**
J L Macmichael	140	22	162	2	**164**
M T Richards (appointed 18 April 2016)	134	20	154	2	**156**
A B Frere	12	-	12	-	**12**
P Haining	12	-	12	-	**12**
J M Lavery	43	14	57	-	**57**
M T Nutter (from 05 January 2016, resigned 29 June 2016)	42	4	46	-	**46**
Total	**557**	**101**	**658**	**9**	**667**

The principal benefits in kind relate to the provision of company cars, fuel and private healthcare.

In addition to the above, fees totalling £46k (2017: £84k) arose during the year in respect of accountancy services provided by The Kings Mill Practice, a firm of which Mr P Haining is the proprietor. A balance of £3k (2017: £9k) was due to The Kings Mill Practice at 31 March 2018.

In addition to the above, fees totalling £52k (2017: £52k) arose during the year in respect of the services of Mr A B Frere provided by Condev Limited. A balance of £5k (2017: £5k) was due to Condev Limited at 31 March 2018.

In addition to the above, fees totalling £13k (2017: £9k) arose during the year in respect of the services of Mr J M Lavery provided by John Lavery Consulting Limited. A balance of £1k (2017: £1k) was due to John Lavery Consulting Limited at 31 March 2018.

The Executive Directors have service contracts with the Company which are terminable by the Company, or the relevant Director, on one year's notice, with the exception of Mr M T Richards and Mr P O James whose period of notice is currently three months.

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

The Directors of the Company on 3 July 2018 and at the statement of financial position date, and their interest in the issued ordinary share capital of the Company at that date, at 31 March 2018 and 31 March 2017 or date of appointment if later, were as follows:

	03.07.18	31.03.18	31.03.17
G S Marsh	481,894	481,894	481,886
J M Lavery	118,281	118,281	118,281
P Haining	54,237	52,501	52,501
J L Macmichael	122,222	120,222	120,222
A B Frere	13,004	8,004	8,004
M T Richards	4,800	2,400	2,400
P O James	684	-	-

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

	Options held at 01.04.17	Granted	Exercised	Lapsed	Options held at 31.03.18	Exercise price	Date of grant	Exercise period
G S Marsh	-	48,000	-	-	48,000	0.01p	01.06.17	April 2018 to April 2027
P O James	-	48,000	-	-	48,000	0.01p	01.06.17	April 2018 to April 2027
M T Richards	-	48,000	-	-	48,000	0.01p	01.06.17	April 2018 to April 2027
J L Macmichael	-	48,000	-	-	48,000	0.01p	01.06.17	April 2018 to April 2027

	Options held at 01.04.17	Granted	Exercised	Lapsed	Options held at 31.03.18	Exercise price	Date of grant	Exercise period
G S Marsh	31,600	-	(31,600)	-	-	0.05p	07.08.13	August 2014 to August 2023
J M Lavery	31,600	-	(31,600)	-	-	0.05p	07.08.13	August 2014 to August 2023
J L Macmichael	31,600	-	(11,297)	(20,303)	-	0.05p	07.08.13	August 2014 to August 2023

The market price of the shares at 31 March 2018 was £3.84 (2017: £4.33), with a quoted range during the year of £3.78 to £5.21 (2017: £2.92 to £5.30).

The options at 31 March 2018 vest in three equal tranches based on performance criteria based on each year ending 31 March 2018, 31 March 2019 and 31 March 2020. The criteria are based on the pre-tax profit of the Group for all the Directors. The market value at the date of grant was £4.23.

During the year the performance criteria for the first tranche of the options were not met therefore post year end on the 1 April 2018 16,000 of each Director's options lapsed totalling 64,000 options.

6. FINANCE EXPENSE

	2018 £'000	2017 £'000
Bank borrowings	31	39
Other interest	2	3
	______	______
Total finance expense	33	42
	______	______

7. TAX EXPENSE

	2018 £'000	2017 £'000
Analysis of continuing and discontinuing total tax expense		
Total tax charge from continuing operations	238	405
Total tax credit from discontinuing operations	-	(101)
	______	______
	238	304
	______	______
Current tax expense		
UK corporation tax on profits or losses for the year	468	307
Adjustment in respect of prior periods	(330)	-
	______	______
	138	307
Deferred tax charge/(credit)	5	(3)
Deferred tax adjustment in respect of prior periods	95	-
	______	______
Total tax charge	238	304
	______	______

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:

	2018 £'000	2017 £'000
Profit before tax including discontinued operations	2,481	2,155
	_______	_______
Expected tax charge based on the standard rate of corporation tax in the UK of 19%(2017 20%)	471	431
Effect of:		
Expenses not deductible for tax purposes	6	24
Deductible expenses not charged in Group accounts	-	(47)
Difference between depreciation for the year and capital allowances	7	12
Tax relief on exercise of share options at less than market value	-	(15)
Enhanced relief on research and development expenditure	(4)	(94)
Deferred tax credit arising on change of tax rate	-	(15)
Amortisation of intangibles	(7)	8
Adjustments in respect of prior years	(235)	-
	_______	_______
Total tax charge	238	304
	_______	_______

The UK corporation tax rate of 19% (effective from 1 April 2017) is reducing to 18% (effective 1 April 2020) which was substantially enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax liabilities at 31 March 2018 have been calculated based on these rates.

See note 28 for details of continuing and discontinued tax charges.

R&D tax credits

The Group recognised a credit of £109k (2017: £nil) within operating profit in relation to claims made under the Research and Development expenditure credit scheme (RDEC). There were also claims made under the SME scheme which are recognised within the tax expense.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018 (continued)

8. EARNINGS PER SHARE

The earnings per share is based on the following:

	2018 £'000	2017 £'000
Adjusted continuing earnings post tax	2,663	2,693
Reported continuing earnings post tax	2,243	2,289
Discontinued earnings post tax	-	(438)
Adjusted total Earnings post tax	2,663	2,255
Reported total Earnings post tax	2,243	1,851
Weighted average number of shares	8,459,118	8,426,418
Diluted number of shares	8,618,468	8,585,768
Reported EPS		
Basic EPS from continuing operations	26.5p	27.2p
Basic EPS from discontinued operations	-	(5.2p)
Basic EPS from profit for the year	26.5p	22.0p
Diluted EPS from continuing operations	**26.0p**	**26.7p**
Diluted EPS from discontinued operations	-	(5.1p)
Diluted EPS from profit for the year	26.0p	21.6p
Adjusted EPS		
Adjusted Basic EPS from continuing operations	31.5p	32.0p
Adjusted Basic EPS from discontinued operations	-	(5.2p)
Adjusted Basic EPS from profit for the year	31.5p	26.8p
Adjusted Diluted EPS from continuing operations	**30.9p**	**31.4p**
Adjusted Diluted EPS from discontinued operations	-	(5.1p)
Adjusted Diluted EPS from profit for the year	30.9p	26.3p

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 8,459,118 (2017: 8,426,418) net of the treasury shares disclosed in note 23.

The diluted earnings per share is based on 8,618,468 (2017: 8,585,768) ordinary shares which allow for the exercise of all dilutive potential ordinary shares.

The adjustments to profit made in calculating the adjusted earnings are set out in note 29.

9. DIVIDENDS

	2018 £'000	2017 £'000
Final dividend paid for the prior year of 8p per share (2017: 8p)	680	680
Interim dividend paid of 4p per share (2017: 4p)	340	340
Cancelled dividends on shares held in treasury	(5)	(4)
	________	________
	1,015	1,016
	________	________
Final dividend proposed for the year 8p per share (2017: 8p)	683	677
	________	________

The proposed final dividend has not been accrued for as the dividend will be approved by the shareholders at the annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018 (continued)

10. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 March 2018	Short leasehold property investments	Motor vehicles £'000	Fittings, equipment and computers	Total £'000
Cost				
1 April 2017	1,380	1,066	1,862	4,308
Additions	59	195	148	402
Disposals	-	(154)	-	(154)
31 March 2018	1,439	1,107	2,010	4,556
Depreciation and impairment				
1 April 2017	215	304	1,383	1,902
Charge for the year	133	217	139	489
On disposal	-	(88)	-	(88)
31 March 2018	348	433	1,522	2,303
Net book value				
31 March 2018	1,091	674	488	2,253

Year ended 31 March 2017	Short leasehold property investments	Motor vehicles £'000	Fittings, equipment and computers	Total £'000
Cost				
1 April 2016	443	1,067	1,858	3,368
Additions	919	432	126	1,477
Acquisition of subsidiaries	116	-	60	176
Disposals	(98)	(433)	(182)	(713)
31 March 2017	1,380	1,066	1,862	4,308
Depreciation and impairment				
1 April 2016	243	382	1,377	2,002
Charge for the year	70	195	182	447
On disposal	(98)	(273)	(176)	(547)
31 March 2017	215	304	1,383	1,902
Net book value				
31 March 2017	1,165	762	479	2,406

At 31 March 2018, the assets included a motor vehicle held under a finance lease. The net book value was £nil (2017: £6k) and the depreciation charge for the year was £nil (2017: £2k)

11. INTANGIBLE ASSETS

Year ended 31 March 2018	Development Costs £'000	Computer Software £'000	Goodwill on Consolidation £'000	Acquisition Intangible Assets £'000	Total £'000
Cost					
1 April 2017	347	308	4,543	1,978	7,176
Additions	336	13	-	-	349
	______	______	______	______	______
31 March 2018	683	321	4,543	1,978	7,525
	______	______	______	______	______
Amortisation					
1 April 2017	140	155	-	657	952
Charge for the year	160	27	-	219	406
	______	______	______	______	______
31 March 2018	300	182	-	876	1,358
	______	______	______	______	______
Net book value					
31 March 2018	383	139	4,543	1,102	6,167
	______	______	______	______	______

The cost of acquisition intangible assets comprises the estimated net present value of customer relationships identified on acquisitions. The development costs relate to the cost of developing new products and technology to enable the company to extend its operations into new growth areas. Any assets developed that are no longer deemed to meet the recognition criteria of development costs have been written down.

Acquisition intangible assets	Cost £'000	Net book value £'000
Manufacturing division commercial relationships	676	310
Value Added Distribution division commercial relationships	1,302	792
	______	______
Total	1,978	1,102
	______	______

11. INTANGIBLE ASSETS – (continued)

Year ended 31 March 2017	Development Costs £'000	Computer Software £'000	Goodwill on Consolidation £'000	Acquisition Intangible Assets £'000	Total £'000
Cost					
1 April 2016	-	362	3,763	1,828	5,953
Additions	347	79	-	-	426
Acquisition of subsidiaries	-	-	780	150	930
Disposals	-	(133)	-	-	(133)
	_______	_______	_______	_______	_______
31 March 2017	347	308	4,543	1,978	7,176
	_______	_______	_______	_______	_______
Amortisation					
1 April 2016	-	226	-	444	670
Charge for the year	140	34	-	213	387
Disposals	-	(105)	-	-	(105)
	_______	_______	_______	_______	_______
31 March 2017	140	155	-	657	952
	_______	_______	_______	_______	_______
Net book value					
31 March 2017	207	153	4,543	1,321	6,224
	_______	_______	_______	_______	_______

The cost of acquisition intangible assets comprises the estimated net present value of customer relationships identified on acquisitions. The development costs relate to the cost of developing new products and technology to enable the company to extend its operations into new growth areas. Any assets developed that are no longer deemed to meet the recognition criteria of development costs have been written down.

Acquisition intangible assets	Cost £'000	Net book value £'000
Manufacturing division commercial relationships	676	399
Value Added Distribution division commercial relationships	1,302	922
	_______	_______
Total	1,978	1,321
	_______	_______

12. GOODWILL AND IMPAIRMENT

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

Goodwill carrying amount	2018 £'000	2017 £'000
Manufacturing division	3,011	3,011
Value Added Distribution division	1,532	1,532
	_______	_______
Total	4,543	4,543
	_______	_______

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 10% (2017: 10%) has been used based on the Group's estimated weighted average cost of capital.

A future growth rate of 2.5% (2017: 2.0%) 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 recoverable amount exceeds the carrying amount by £22,752k (2017: £46,978k).

If the following changes were made to the above key assumptions, the carrying amount would still exceed the recoverable amount.

Discount rate: Increase from 10% to 15%
Growth rate: Reduction from 2.0% to nil%

13. SUBSIDIARIES

The subsidiaries of Solid State PLC, included in these consolidated financial statements are as follows:

Subsidiary undertakings		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.
Creasefield Limited	Great Britain	100%	Distribution of battery packs and manufacture of battery packs.
Q-Par Angus Limited	Great Britain	100%	Non trading entity
Ginsbury Electronics Limited	Great Britain	100%	Non trading entity
Q-Par Angus (Hedera) Limited	Great Britain	100%	Non trading entity
Wordsworth Technology Kent Limited	Great Britain	100%	Non trading entity
Ginsbury Electronics (Hedera) Limited	Great Britain	100%	Non trading entity

During the year Rugged Systems Limited has been dissolved. The non trading entities are exempt from filing audited accounts with the registrar under section 479a of the Companies Act 2006.

In all cases the country of operation and of incorporation is England and Wales, with the same registered office as Solid State PLC.

All UK trading subsidiaries are exempt from the requirements to have an audit and file audited financial statements by virtue of section 479A of the Companies Act 2006. In adopting the exemption Solid State PLC has provided a statutory guarantee to these subsidiaries in accordance with section 479C of the Companies Act 2006.

14. INVENTORIES

	2018 £'000	2017 £'000
Finished goods and goods for resale	5,731	4,865
Work in progress	1,092	712
	_______	_______
Total inventories	6,823	5,577
	_______	_______

The Directors are of the opinion that the replacement value of inventories is not materially different to the carrying value stated above. These carrying values are stated net of provisions of £931k (2017: £1,062k).

An impairment loss of £547k (2017: £597k) was recognised in cost of sales during the year against inventory due to slow moving and obsolete items.

Inventory recognised in cost of sales during the year as an expense was £30,453k (2017: £26,080k).

15. TRADE AND OTHER RECEIVABLES

	2018 £'000	Re-presented 2017 £'000
Trade receivables	9,077	7,614
Other receivables	78	133
Prepayments	893	578
	_______	_______
	10,048	8,325
	_______	_______

Impairment losses against trade receivables of £7k were recognised during the year (2017: credit of £12k).

16. TRADE AND OTHER PAYABLES (CURRENT)

	2018 £'000	Re-presented 2017 £'000
Trade payables	3,568	3,577
Other taxes and social security taxes	862	455
Amounts due under hire purchase agreements	-	13
Other payables	33	44
Accruals	1,255	1,249
	_______	_______
	5,718	5,338
	_______	_______

17. CONTRACT LIABILITIES

	2018 £'000	Re-presented 2017 £'000
Contract Liabilities	1,317	810

The contract liabilities identified above relate to unsatisfied performance obligations resulting from proforma and advanced customer payments where we have not recognised the revenue and provisions for product returned for rework. All of these contract liabilities are expected to be recognised in the subsequent financial year.

18. BANK OVERDRAFT

The bank overdraft facility 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 £2,000k (2017: £2,000k).

19. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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 re-presented 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 a bank with a high credit rating assigned by international credit rating agencies.

19. FINANCIAL INSTRUMENTS (continued)

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. The use of forward currency contracts are not used speculatively and are considered where the Group has a demand for foreign currency that it can reliably forecast.

Liquidity risk

The Group operates a Group overdraft facility common to all its trading companies.

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 Group maintains its cash reserves at a reputable bank. The maximum exposure to credit risk at the reporting date was:

Loans and Receivables	2018 £'000	Re-presented 2017 £'000
Current financial assets		
Trade and other receivables	9,155	7,747
Cash and cash equivalents	575	909
	_______	_______
	9,730	8,656
	_______	_______

19. FINANCIAL INSTRUMENTS (continued)

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

Carrying value	2018 £'000	Re-presented 2017 £'000
UK	7,542	6,668
Non UK	1,535	946
	9,077	7,614

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 a charge of £7k (2017: reversal of £12k) which re-presented 0.01% (2017: 0.03%) of revenue. This provision is included within the sales, general and administration expenses in the Consolidated Statement of Comprehensive Income.

Trade receivables ageing by geographical segment

Geographical area	Total £'000	Current £'000	30 days past due £'000	60 days past due £'000	90 days past due £'000
2018					
UK	7,553	7,183	280	10	80
Non UK	1,558	1,379	33	71	75
Total	9,111	8,562	313	81	155
Less: Provisions	(34)	-	-	(2)	(32)
Total	9,077	8,562	313	79	123
2017 Re-presented					
UK	6,699	3,796	2,388	312	203
Non UK	947	396	454	55	42
Total	7,646	4,192	2,842	367	245
Less: Provisions	(32)	-	-	(4)	(28)
Total	7,614	4,192	2,842	363	217

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:

	2018 £'000	2017 £'000
Opening balance	32	39
Acquisition of subsidiaries	-	12
Increase / (decrease) in provisions	7	(12)
Written off against provisions	(5)	(7)
	_______	_______
Closing balance	34	32
	_______	_______

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 31 March 2018 trade receivables of £515k which were past their due date were not impaired (2017: £3,422k).

Liquidity risk

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
2018					
Trade and other payables	5,718	5,718	5,718	-	-
Contract liabilities	1,317	1,317	1,317	-	-
	_______	_______	_______	_______	_______
	7,035	7,035	7,035	-	-
	_______	_______	_______	_______	_______
2017 Re-presented					
Trade and other payables	5,325	5,325	5,325	-	-
Contract liabilities	810	810	810	-	-
Hire purchase creditors	13	13	6	7	-
	_______	_______	_______	_______	_______
	6,148	6,148	6,141	7	-
	_______	_______	_______	_______	_______

19. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Group finances its business through a bank overdraft facility. During the year the Group utilised this facility at a floating rate of interest.

The Group bank overdraft with Lloyds Bank plc incurs interest at the rate of 2.0% over the Lloyds Bank base rate. The Group is affected by changes in the UK interest rate.

The US Dollar overdraft facility bears the interest rate of 1.0% over the Lloyds Bank US dollar reference 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 ruling base rate had been 1% higher throughout the year the level of interest payable would have been £13k (2017: £17k) higher and if 1% lower throughout the year the level of interest payable would have been lower by the same amount.

Foreign currency risk

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

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

The following table shows the net liabilities exposed to US dollar exchange rate risk that the Group has at 31 March 2018:

	2018 £'000	2017 £'000
Trade receivables	3,425	2,180
Cash and cash equivalents	411	660
Trade payables and accruals	(1,444)	(1,353)
	2,392	1,487

There were also net assets of £50k in euros (2017: £75k).

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. There were no forward purchase agreements in place at 31 March 2018 (2017: £nil) with £nil net exposure (2017: £nil).

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 in pre-tax profit for the year and an increase in net assets of approximately £265k (2017: £165k) 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 in pre-tax profit for the year and a decrease in net assets of approximately £217k (2017: £135k).

19. FINANCIAL INSTRUMENTS (continued)

Capital risk management

The Group defines total capital as equity in the consolidated statement of financial position plus net debt or less net funds plus deferred consideration (note 16). Total capital at 31 March 2018 was £17,445k (2017: £15,746k).

The Group defines leverage as net debt plus deferred consideration which totals net cash £575k (2017: £896k).

In managing its capital, the Group's main objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital based on the gearing ratio. This ratio is calculated as net debt plus deferred consideration divided by total capital. At 31 March 2018 the gearing ratio was (3.3)% (2017 (5.7)%).

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 the light of changes in economic conditions and the characteristic of the underlying assets.

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 and sets the amount of capital in proportion to risk.

The Group's gearing ratio at 31 March 2018 is shown below:

	2018 £'000	2017 £'000
Cash and cash equivalents	(575)	(909)
Bank overdrafts	-	-
Hire purchase finance	-	13
Deferred consideration	-	-
Net (cash)/leverage	(575)	(896)
Share capital	425	425
Share premium account	3,629	3,629
Retained earnings	14,204	12,826
Capital redemption reserve	5	5
Shares held in treasury	(243)	(243)
Equity	18,020	16,642
Gearing ratio (net leverage / equity + net leverage/(cash))	(3.3)%	(5.7)%

20. DEFERRED TAX

The Group's deferred tax positions arise primarily on share-based payments, accelerated capital allowances, capitalised development costs and intangible assets arising on acquisition of subsidiaries:

	2018 £'000	2017 £'000
At 1 April	327	285
Deferred tax arising on acquisition of subsidiaries	-	45
(Credit)/charge for the year	5	12
Deferred tax adjustment in respect of prior periods	95	
Effect of tax rate change	-	(15)
	_______	_______
At 31 March	427	327
	_______	_______
Deferred tax liabilities/(assets) in relation to:		
Accelerated capital allowances on property plant and equipment	102	90
Short term timing differences on intangible assets	354	237
Share based payments	(29)	
	_______	_______
At 31 March	427	327
	_______	_______

A reduction in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantially enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax liabilities at 31 March 2018 have been calculated based on these rates.

The amount of the net reversal of deferred tax expected to occur next year is approximately £51k (2017: £131k) relating to the timing differences identified above.

There is an unrecognised deferred tax asset of £20k in respect of the future tax deduction that would be available based on the share price at the balance sheet date compared to the share price at the date of grant of the options and share bonus which is used to calculate the share based payments charge. If this deferred tax asset had been recognised it would have been credited to other comprehensive income.

This was not recognised given it is immaterial and the share bonus being exercised post year end when the share price was lower than at the balance sheet date therefore this deferred tax asset is not expected to be recoverable.

21. SHARE CAPITAL

	2018 £'000	2017 £'000
Allotted issued and fully paid 8,496,512 (2017: 8,496,512) ordinary shares of 5p	425	425
	_______	_______

Details of options granted are set out in note 5. At 31 March 2018 the number of shares covered by option agreements amounted to 192,000 (2017: nil).

Share options exercised in the prior year by the Directors are disclosed in note 5.

An Enterprise Management Incentive Scheme was adopted by the company in September 2000 and formally approved at an Extraordinary General Meeting on 12 December 2000.

22. RESERVES

Full details of movements in reserves are set out in the consolidated statement of changes in equity on page 43.

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 statement of comprehensive income.
Shares held in treasury	Shares held by the Group for future staff share plan awards

23. TREASURY SHARES

At 31 March 2018 the Group held 37,394 (2017: 37,394) shares in treasury with a cost of £234k (2017: £234k). No shares have been cancelled. The prior year reduction in the shares held in Treasury of 4,627 relates to a re-allocation of shares held in treasury to the All Employee Share Plan.

24. SHARE BASED PAYMENT

On 1 June 2017 the company granted nil cost EMI options to each of the following Directors (who prior to this had no outstanding options) under the Company's Long Term Incentivisation Plan, as follows:

Name	Number of options granted	Grant Price	Exercise price
Mr G S Marsh	48,000	£4.23	0.1p
Mr M T Richards	48,000	£4.23	0.1p
Mr J L Macmichael	48,000	£4.23	0.1p
Mr P O James	48,000	£4.23	0.1p

The share price at the date of Grant was £4.23 as the options are effectively £nil cost options the fair value is determined to equal to the share price at the date of grant under the Black Sholes model.

The options are subject to performance criteria determined by the Remuneration Committee linked to the pre tax profit performance of the Group in each year of a three year vesting period from the date of grant. The performance period runs from 1 April 2017 to 31 March 2020.

The performance conditions attached to the options are identical for all the Directors. Performance is measured on an annual basis over the three year period with a maximum of 16,000 options available in each of years one, two and three.

In each year, 10% of the maximum award vests for Group performance in-line with the Board approved budgeted pre tax profit with a scale such that the maximum award only vests in the event that the Group budgeted pre tax profit is exceeded by 25%.

The Remuneration Committee retains the ability to pay at its discretion additional cash and share bonuses in exceptional circumstances.

In January 2018, no (2017: 6,300) shares were awarded under the All Employee Share Plan. However, 36,366 nil cost bonus share awards were made and vested for specific employees who have met the performance criteria for Bonus shares.

The share price at the date of award of the bonus shares and therefore the fair value was £2.55 resulting in a £93k share based payment charge recognised in the year as part of the total share based payment expense of £150k for 2018 (2017: £nil).

None of the Executive Directors' options vested with the 64,000 first year options lapsing post year end as the performance criteria were not achieved.

There was no share based incentive plan in place for the year ended 31 March 2017.

25. LEASING COMMITMENTS

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

	2018 £'000	2017 £'000
No later than 1 year	377	411
Later than 1 year and no later than 5 years	880	1,208
Later than 5 years	-	50
	_______	_______

26. CAPITAL COMMITMENTS

At 31 March 2018 and 31 March 2017 there were no capital commitments.

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 Value Added Distribution division comprises Solid State Supplies Limited and the Manufacturing division includes Steatite Limited.

Year ended 31 March 2018

	Distribution division £'000	Manufacturing division £'000	Head office £'000	Continuing operations £'000
External revenue	19,685	26,583	-	46,268
	______	______	______	______
Profit before tax	1,295	2,375	(1,189)	2,481
Taxation	(251)	(213)	226	(238)
	______	______	______	______
Profit after taxation	1,044	2,162	(963)	2,243
Balance Sheet				
Assets	9,486	10,821	5,559	25,866
Liabilities	(3,052)	(4,273)	(521)	(7,846)
	______	_____	______	______
Net assets	6,434	6,548	5,038	18,020
Other				
Capital expenditure:				
Tangible fixed assets	190	212	-	402
Intangible assets	12	337	-	349
Depreciation	180	309	-	489
Amortisation	21	165	220	406
Share based payments	-	-	150	150
Interest	6	3	24	33
	______	_____	______	______

No individual customer contributed more than 10% of the Group's revenue in the financial year ended 31 March 2018 or the prior year.

27. SEGMENT INFORMATION (continued)

Year ended 31 March 2017

	Value Added Distribution division £'000	Manufacturing division £'000	Head office £'000	Continuing operations £'000	Discontinued operations £'000	Re-presented Total £'000
External revenue	16,479	23,542	-	40,021	-	40,021
	______	______	______	______	______	______
Profit before tax	1,125	2,526	(957)	2,694	(539)	2,155
Taxation	(229)	(371)	195	(405)	101	(304)
	______	______	______	______	______	______
Profit after taxation	896	2,155	(762)	2,289	(438)	1,851
Balance Sheet						
Assets	7,090	10,464	5,887	23,441	-	23,441
Liabilities	(2,256)	(4,237)	(306)	(6,799)	-	(6,799)
	______	______	______	______	______	______
Net assets	4,834	6,227	5,581	16,642	-	16,642
Other						
Capital expenditure:						
Tangible fixed assets	348	1,129	-	1,477	-	1,477
Intangible assets	40	386	-	426	-	426
Depreciation	153	259	-	412	35	447
Amortisation	19	165	203	387	-	387
Interest	1	41	-	42	-	42
	______	______	______	______	______	______

	External revenue by location of customer		Total assets by location of assets		Net tangible capital expenditure by location of assets	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
United Kingdom	36,001	32,199	25,866	23,441	402	1,477
Rest of Europe	5,013	5,061	-	-	-	-
Asia	1,972	1,511	-	-	-	-
North America	2,991	900	-	-	-	-
Other	291	350	-	-	-	-
	_______	_______	_______	_______	_______	_______
	46,268	40,021	25,866	23,441	402	1,477
	_______	_______	_______	_______	_______	_______

All the above relate to continuing operations.

28. DISCONTINUED OPERATIONS

The table below reconciles the discontinued operations to the previously reported consolidated statement of comprehensive income.

	2018			2017		
	Continuing operations £'000	Discontinued operations £'000	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
Revenue	46,268	-	46,268	40,021	-	40,021
Cost of sales	(33,525)	-	(33,525)	(27,994)	-	(27,994)
	_______	_______	_______	_______	_______	_______
Gross profit	12,743	-	12,743	12,027	-	12,027
Sales general & administration expenses	(10,229)	-	(10,229)	(9,291)	(539)	(9,830)
	_______	_______	_______	_______	_______	_______
Operating profit	2,514		2,514	2,736	(539)	2,197
Finance costs	(33)	-	(33)	(42)	-	(42)
	_______	_______	_______	_______	_______	_______
Profit before tax	2,481	-	2,481	2,694	(539)	2,155
Tax expense	(238)	-	(238)	(405)	101	(304)
	_______	_______	_______	_______	_______	_______
Profit after tax	2,243	-	2,243	2,289	(438)	1,851
Cash flows from discontinued operations are as follows:						
Operating cash flows	1,390	-	1,390	5,824	3,328	9,152
Investing cash flows	(673)	-	(673)	(3,775)	-	(3,775)
Financing cash flows	(1,051)	-	(1,051)	(1,064)	-	(1,064)
	_______	_______	_______	_______	_______	_______

29. ADJUSTMENTS TO PROFIT

The Group's results are reported after a number of imputed non-cash charges and non-recurring items. Therefore, we have provided additional information to aid an understanding of the Group's performance and provide clarity over the Group's performance on an on-going cash basis before imputed non-cash accounting charges consistent with how analysts and investors tell us they review our business performance.

We have presented an adjusted profit metric adjusting for the following items:

- Non-cash accounting charges arising from share-based payments and the amortisation of acquisition intangibles.
- Non-recurring cash costs relating to the re-organisation of the Manufacturing division and acquisition costs.

	2018 £'000	2017 £'000
Acquisition & re-organisation costs in cost of sales	-	175
Acquisition & re-organisation costs in sales, general & administration expenses	150	61
Total acquisition and re-organisation costs	150	236
Amortisation of acquisition intangibles	219	203
Share based payments	150	-
Current and deferred taxation effect	(99)	(35)
	_______	_______
Total	420	404

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018 (continued)

29. ADJUSTMENTS TO PROFIT (continued)

	2018 £'000	2017 £'000
Reported gross profit from continuing operations	12,743	12,027
Adjustments to gross profit	-	175
	_______	_______
Adjusted gross profit from continuing operations	12,743	12,202
	_______	_______
Reported gross margin percentage from continuing operations	27.5%	30.1%
Gross margin percentage impact of adjustments	-	0.4%
	_______	_______
Adjusted gross margin percentage from continuing operations	27.5%	30.5%
	_______	_______
Reported operated profit from continuing operations	2,514	2,736
Adjustments to operating profit from continuing operations	519	439
	_______	_______
Adjusted operating profit from continuing operations	3,033	3,175
	_______	_______
Reported operating margin percentage from continuing operations	5.4%	6.8%
Operating margin percentage impact of adjustments	1.2%	1.1%
Adjusted operating margin percentage from continuing operations	6.6%	7.9%
	_______	_______
Reported profit before tax from continuing operations	2,481	2,694
Adjustments to profit before tax	519	439
	_______	_______
Adjusted profit before tax from continuing operations	3,000	3,133
	_______	_______
Reported profit after tax from continuing operations	2,243	2,289
Adjustments to profit after tax	420	404
	_______	_______
Adjusted profit after tax from continuing operations	2,663	2,693
	_______	_______

30. POST BALANCE SHEET EVENT

Post year end the Group announced that it has issued and allotted 36,366 ordinary shares of 5 pence each ("Ordinary Shares") pursuant to the award of shares under the Company's employee share bonus plan. Accordingly, application has been made for the 36,366 new Ordinary Shares to be admitted to trading on AIM.

Company Number: 00771335

COMPANY STATEMENT OF FINANCIAL POSITION
at 31 March 2018

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
FIXED ASSETS					
Investments	4		9,508		9,508
CURRENT ASSETS					
Debtors	5	2,979		2,371	
Cash at bank and in hand		-		17	
		2,979		2,388	
CREDITORS: Amounts falling due within one year	6	(5,590)		(3,390)	
NET CURRENT LIABILITIES			(2,611)		(1,002)
NET ASSETS			6,897		8,506
CAPITAL AND RESERVES					
Called up share capital	7		425		425
Share premium account	8		3,629		3,629
Capital redemption reserve	8		5		5
Retained earnings	8		3,081		4,690
Shares held in treasury	9		(243)		(243)
SHAREHOLDERS' FUNDS			6,897		8,506

The company made a total comprehensive loss in the year of £744k (2017: income £4,020k).

The financial statements were approved by the Board of Directors and authorised for issue on 3 July 2018.

G S Marsh, *Director*

P O James, *Director*

The notes on pages 87 to 89 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share Capital	Share Premium reserve	Capital Redemption Reserve	Retained earnings	Shares Held in Treasury	Share-holders Funds
Balance at 1 April 2017	425	3,629	5	4,690	(243)	8,506
Total comprehensive income For the year ended 31 March 2018	-	-	-	(744)	-	(744)
Share based payment expense	-	-	-	150	-	150
Dividends	-	-	-	(1,015)	-	(1,015)
Balance at 31 March 2018	425	3,629	5	3,081	(243)	6,897

	Share Capital	Share Premium reserve	Capital Redemption Reserve	Retained earnings	Shares Held in Treasury	Share-holders Funds
Balance at 1 April 2016	421	3,629	5	1,686	(281)	5,460
Total comprehensive income For the year ended 31 March 2017	-	-	-	4,020	-	4,020
Issue of new shares	4	-	-	-	-	4
Dividends	-	-	-	(1,016)		(1,016)
Transfer of shares to all employee share ownership plan	-	-	-	-	38	38
Balance at 31 March 2017	425	3,629	5	4,690	(243)	8,506

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 March 2018

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

These financial statements have been prepared in accordance with applicable United Kingdom Accounting standards, including Financial Reporting Standard 102 -The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and with the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements are prepared in sterling rounded to the nearest thousand pounds (£'000).

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/profit for the year ended 31 March 2018 is disclosed in the Statement of Changes in Equity.

Going concern

The going concern basis of accounting has been used in the preparation of these financial statements. The Directors have not identified any material uncertainties in this regard.

Foreign currencies

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the statement of financial position date. Any differences are taken to the statement of comprehensive income.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less amounts provided for impairment.

Other financial liabilities

Other financial liabilities are accounted for on the same basis as in the consolidated accounts see accounting policy on page 54

Share based payment

Share based payments are accounted for on the same basis as in the consolidated accounts see accounting policy on page 56

Treasury Shares

Treasury shares are accounted for on the same basis as in the consolidated accounts see accounting policy on page 54

2. STAFF COSTS

Staff costs amounted £750k (2017: £285k) and comprised the share based payment expense of £150k (2017: £nil) provision for employer's national insurance on exercise of share options of £21k (2017: £nil).

Included within the Company Staff costs are the salary and related costs in respect of Mr A B Frere, Mr G S Marsh, Mr P O James (appointed 20 February 2017), Mr J Lavery (Non-Executive Fees) and Mr P Haining. No other Directors remuneration was paid by the Company. Details of the Directors whose emoluments were paid by other Group companies are given in note 5 to the Group financial statements.

3. SHARE BASED PAYMENT

See Group share based payments disclosures in note 24 to the Group accounts.

4. INVESTMENTS

Subsidiary undertakings	2018 £'000	2017 £'000
Cost		
1 April	9,508	7,892
Additions	-	1,617
Disposals	-	(1)
	_______	_______
31 March	9,508	9,508
	_______	_______
Net book value		
31 March	9,508	9,508
	_______	_______

The additions in the prior period related to the Creasefield acquisition.

Subsidiary undertakings

See Group subsidiary undertakings disclosures in note 13 to the Group accounts.

5. DEBTORS

	2018 £'000	2017 £'000
Amounts owed by Group undertakings	2,969	2,352
Other debtors	-	13
Prepayments	10	6
	_______	_______
	2,979	2,371
	_______	_______

6. CREDITORS

	2018 £'000	2017 £'000
Bank overdraft (secured)	336	-
Amounts owed to Group undertakings	5,144	3,312
Other taxes and social security costs	28	27
Other creditor	35	41
Accruals	47	10
	_______	_______
	5,590	3,390
	_______	_______

The Company has guaranteed bank borrowings of its subsidiary undertakings, Solid State Supplies Limited, Steatite Limited and Creasefield Limited. At the year end the liabilities covered by those guarantees amounted to £nil (2017: £nil). 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

See Group share capital disclosures in note 21 to the Group accounts.

8. RESERVES

See Group reserves disclosures in note 22 to the Group accounts.

9. OWN SHARES HELD IN TREASURY

See Group treasury shares disclosures in note 23 to the Group accounts.

10. LEASING COMMITMENTS

The company's future minimum payments under operating leases are as follows:

	2018 £'000	2017 £'000
Within one year	2	24
Between one and five years	-	2
Later than five years	-	-
	_______	_______

EXPLANATION OF AGM RESOLUTION

Explanation of Non-Compliant Dividend Resolution

Definitions

AIM Rules	the AIM Rules for Companies, being the rules published by the London Stock Exchange, which set out the rules and responsibilities in relation to companies listed on the Alternative Investment Market of the London Stock Exchange
Directors' Deed of Release	means a deed of release by which the Company waives any rights to make claims against Related Party Directors and the Former Director in respect of the Relevant Dividend, substantially in the form set out in Appendix B to the Notice
Independent Directors	means Peter Owen James and Matthew Thomas Richards, each being a current director of the Company but who were not directors of the Company at the time of the Relevant Dividend
Recipient Shareholders	means any and all shareholders of the Company who appeared on the register of members on the record date of the Relevant Dividend or who received payment in respect of the Relevant Dividend and ''Recipient Shareholder'' shall mean any one of them
Relevant Directors	means Peter Haining, Anthony Brian Frere, John Michael Lavery, John Lawford MacMichael and Gary Stephen Marsh, each being current Directors of the Company who were also directors of the Company at the time of declaration and payment of the Relevant Dividend and Mark Timothy Nutter who was a director of the Company at the time of declaration and payment of the Relevant Dividend but who has subsequently ceased to be a director of the Company, and ''Relevant Director'' shall mean any one of them
Relevant Dividend	means the interim dividend of 4.0p per Ordinary Share declared on 24 November 2015 and paid on 26 February 2016
Shareholders' Deed of Release	means a deed of release in favour of all Recipient Shareholders from any and all claims which the Company has or may have in respect of the payment of the Relevant Dividend, substantially in the form set out in Annex A to the Notice
Non-Compliant Dividend Resolution	means the special resolution to be proposed at the Annual General Meeting in relation to the Relevant Dividend, the full text of which is set out on page 95 of this document

EXPLANATION OF AGM RESOLUTION

Non-Compliant Dividend Resolution

The Board has become aware of a certain administrative non-compliance issue with respect to the payment of a historic interim dividend on 26 November 2016 (the ''Relevant Dividend'').

Prior to paying the Relevant Dividend, the Company should have ensured that it had the requisite level of distributable profits and net assets by reference, in each case, to ''relevant accounts'' (as defined in the Companies Act). Where a company's annual accounts show insufficient distributable profits to make a distribution, a company may make a distribution by reference to interim accounts (as defined in the Companies Act).

In order to satisfy the requirements of the Companies Act in relation to the Relevant Dividend, the Company should have prepared interim accounts showing the requisite level of distributable profits and net assets and filed such interim accounts at Companies House prior to making the Relevant Dividend.

At all relevant times the Company had adequate reserves to allow the payment of the Relevant Dividend however the relevant interim accounts were not filed at Companies House prior to declaring and making the Relevant Dividend. Unfortunately, this administrative oversight resulted in the Relevant Dividend being paid otherwise than in accordance with the Companies Act. This issue only affected the Relevant Dividend and did not affect any other dividends declared and paid by the Company. The total aggregate amount of the Relevant Dividend was £336,880.60.

The Company has been advised that, as a consequence of the Relevant Dividend having been made otherwise than in accordance with the Companies Act, it may have claims against past and present shareholders who were recipients of the Relevant Dividend (the "Recipient Shareholders") and against persons who were directors of the Company at the time of declaration and payment of the Relevant Dividend (the "Relevant Directors"). The Board notes, however, that the Company has no intention of bringing any such claims.

Resolution 10 to be proposed at the Annual General Meeting (''Non-Compliant Dividend Resolution''), will be proposed as a special resolution and, if passed, will put all potentially affected parties, so far as possible, in the position in which they were always intended to be had the Relevant Dividend been made in accordance with the procedural requirements of the Companies Act. In line with the approach taken by other companies, the Non-Compliant Dividend Resolution therefore authorises the appropriation of sufficient distributable profits of the Company to the payment of the Relevant Dividend and gives the Board the authority to enter into the deeds of release which will mean that the Company will be unable to make any claims against:

(a) Recipient Shareholders; or

(b) the Relevant Directors,

in each case, in respect of the declaration and payment of the Relevant Dividend having been done otherwise than in accordance with the Companies Act.

EXPLANATION OF AGM RESOLUTION

Recommendation

The Relevant Directors who remain current directors of the Company have a potential conflict of interest on the vote and therefore have not participated in the Board's deliberations in respect of the Relevant Dividend, however, the Independent Directors who are current directors of the Company but who were not directors at the time of the Relevant Dividend recommend that shareholders vote in favour of the Non-Compliant Dividend Resolution.

Each of the Relevant Directors and their associates who hold Ordinary Shares are precluded from voting on the Non-Compliant Dividend Resolution. Therefore, the Relevant Directors who hold Ordinary Shares have undertaken to abstain, and to take all reasonable steps to ensure that their associates abstain, from voting on the Non-Compliant Dividend Resolution. As at 29 June 2018 (being the latest practicable date before the publication of this document), the Relevant Directors were recorded in the Company's register of members as holding a total of 789,638 Ordinary Shares representing approximately 9.3 per cent of the Company's issued ordinary share capital.

The Board considers, having been so advised by WH Ireland Limited, in its capacity as the Company's Nominated Adviser, that (i) the waiver of claims against the Relevant Directors pursuant to the Non-Compliant Dividend Resolution and the entry into of the Directors' Deed of Release and (ii) the waiver of claims against the Recipient Shareholders (to the extent that they are considered to be a 'related party' under the AIM Rules) pursuant to the Non-Compliant Dividend Resolution and the entry into of the Shareholders' Deed of Release, are fair and reasonable so far as the shareholders of the Company are concerned.

Other Information

Copies of the final forms of the Shareholders' Deed of Release and the Directors' Deed of Release are appended at Annex A and Annex B of this document and are available on the Company's website at https://www.solidstateplc.com/shareholder-information/shareholder-documents/ and in hard copy during normal business hours on any weekday (except for Saturdays, Sundays and public holidays) at the registered office of the Company up to the time of the Annual General Meeting. Copies will also be available at the place of the Annual General Meeting from at least 15 minutes prior to and until the conclusion of the Annual General Meeting.

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 6 September 2018 at 9.30am for the following purposes:

ORDINARY RESOLUTIONS

(1) To receive and adopt the accounts for the year ended 31 March 2018, together with the reports of the Directors and auditors thereon. (Resolution 1)

(2) To declare a final dividend of 8p per share. (Resolution 2)

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

(4) To reappoint Mr Matthew Thomas Richards, 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 £140,792.48 (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 £85,328.78 (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

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 £42,664.39, which is 10% 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 has expired. (Resolution 8)

(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)

SPECIAL RESOLUTIONS – (continued)

(10) To pass the following non-compliant dividend resolution. That,

i) the appropriation of distributable profits of the Company (as shown in the annual accounts of the Company made up to 31 March 2016) to the payment of the interim dividend of 4.0p per ordinary share paid on 26 February 2016 (the "Relevant Dividend") having a total value of £336,880.60 be and is hereby authorised by reference to the same record date as the original accounting entry for the Relevant Dividend;

ii) any and all claims which the Company has or may have arising out of or in connection with the approval, declaration and/or payment of the Relevant Dividend against its current or former shareholders who appeared on the register of members on the record date for the Relevant Dividend (the "Recipient Shareholders") (or the personal representatives and their successors in title (as appropriate) of a Recipient Shareholder's estate if he or she is deceased) be waived and release, and a deed of release in favour of such Recipient Shareholders (or the personal representatives and their successors in title (as appropriate) of a Recipient Shareholder's estate if he or she is deceased) be entered into by the Company in the form produced to the Annual General Meeting and initialled by the Chairman for the purposes of identification and any director in the presence of a witness, any two directors or any director and the company secretary be authorised to execute the same as a Deed Poll for an on behalf of the Company; and

iii) any and all claims which the Company has or may have arising out of or in connection with the approval, declaration and/or payment of the Relevant Dividend against the persons who were directors of the Company at the time of declaration and payment of the Relevant Dividend (the "Relevant Directors") (or the personal representatives and their successors in title (as appropriate) of his or her estate if such Relevant Director is deceased) be waived and released, and a deed of release in favour of the Relevant Directors (or the personal representatives and their successors in title (as appropriate) of his or her estate if such Relevant Director is deceased), be entered into by the Company in the form produced to the Annual General Meeting and initialled by the Chairman for the purposes of identification and any director in the presence of a witness, any two directors or any director and the company secretary be authorised to execute the same as a Deed Poll for an on behalf of the Company. (Resolution 10)

BY ORDER OF THE BOARD

P Haining FCA
Secretary
3 July 2018

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, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, B62 8HD, 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.

ANNEX TO AGM RESOUTION

ANNEX A

FORM OF SHAREHOLDERS' DEED OF RELEASE

DEED POLL

THIS DEED POLL is made on 6 September 2018

BY SOLID STATE PLC (registered number 00771335) whose registered office is at 2 Ravensbank Business Park, Hedera Road, Redditch B98 9EY ("**Company**") in favour of the Recipient Shareholders (as defined below).

WHEREAS:

(A) As explained in the annual report and accounts for the year ended 31 March 2018 sent to the shareholders of the Company dated 3 July 2018 that is appended to this deed poll ("**Annual Report**"), the board of directors of the Company has become aware of a technical issue in respect of the Company's procedure for payment of the Relevant Dividend. Terms unless otherwise defined in the deed poll shall have the meaning given to them in the Annual Report.

(B) The Company has been advised that, as a consequence of the Relevant Dividend having been made otherwise than in accordance with the Companies Act 2006, it may have claims against the past and present shareholders who were recipients of the Relevant Dividend (or their personal representatives and their successors in title (as appropriate) if they are deceased) ("**Recipient Shareholders**").

(C) Pursuant to the Non-Compliant Dividend Resolution as set out in the Notice of Annual General Meeting contained in the Annual Report and duly passed by the Company's shareholders at the Company's annual general meeting on 6 September 2018, the Company proposes to waive and release any and all claims which it has or may have in respect of the Relevant Dividend against the Recipient Shareholders and wishes to enter into this deed poll in favour of the Recipient Shareholders in order to effect the same.

THIS DEED POLL WITNESSES as follows:

1. RELEASE

The Company hereby unconditionally and irrevocably waives and releases each of the Recipient Shareholders from any and all liability that any such Recipient Shareholder has or may have to the Company and all claims and demands the Company has or may have against each of them in connection with receipt by them of all or part of the Relevant Dividend.

2. GOVERNING LAW

This deed poll is governed by English law. Any non-contractual obligations arising out of or in connections with this deed poll shall be governed by English law.

ANNEX TO AGM RESOUTION

IN WITNESS of which this deed poll has been executed and has been delivered on the date which appears first of page 1.

EXECUTED as a deed poll by SOLID STATE PLC

acting by, ………………………………………..,	)	………………………………………
a director	)	Director

in the presence of:

Witness signature:…………………………….

Witness name: ………………………………..

Witness address:………………………………

………………………………………………….

Witness occupation: ………………………….

ANNEX TO AGM RESOUTION

ANNEX B

FORM OF DIRECTORS' DEED OF RELEASE

DEED POLL

THIS DEED POLL is made on 6 September 2018

BY SOLID STATE PLC (registered number 00771335) whose registered office is at 2 Ravensbank Business Park, Hedera Road, Redditch B98 9EY ("**Company**") in favour of certain of the current and former directors of the Company (or the personal representatives and their successors in title (as appropriate) of his or her estate if such director or former director is deceased).

WHEREAS:

(D) As explained in the annual report and accounts for the year ended 31 March 2018 sent to the shareholders of the Company dated 3 July 2018 that is appended to this deed poll ("**Annual Report**"), the board of directors of the Company has become aware of a technical issue in respect of the Company's procedure for payment of the Relevant Dividend. Terms unless otherwise defined in the deed poll shall have the meaning given to them in the Annual Report.

(E) The Company has been advised that, as a consequence of the Relevant Dividend having been made otherwise than in accordance with the Companies Act 2006, it may have claims against each of the Relevant Directors (or the personal representatives and their successors in title (as appropriate) of his or her estate if such Relevant Director is deceased).

(F) Pursuant to the Non-Compliant Dividend Resolution as set out in the Notice of Annual General Meeting contained in the Annual Report and duly passed by the Company's shareholders at the Company's annual general meeting on 6 September 2018, the Company proposes to waive and release any and all claims which it has or may have in respect of the Relevant Dividend against each of the Relevant Directors (or the personal representatives and their successors in title (as appropriate) of his or her estate if such Relevant Director is deceased) and wishes to enter into this deed poll in favour of the Relevant Directors and the personal representatives and their successors in title of the estate of any deceased Relevant Director in order to effect the same.

THIS DEED POLL WITNESSES as follows:

3. RELEASE

The Company hereby unconditionally and irrevocably waives and releases each of the Relevant Directors (or the personal representatives and their successors in title (as appropriate) of his or her estate if such Relevant Director is deceased) from any and all liability that any of them has or may have to the Company and all claims and demands the Company has or may have against each of them, including, without limitation, any derivative action from or on behalf of shareholders of the Company, in connection with the declaration, making and payment of all or part of the Relevant Dividend.

4. GOVERNING LAW

This deed poll is governed by English law. Any non-contractual obligations arising out of or in connections with this deed poll shall be governed by English law.

IN WITNESS of which this deed poll has been executed and has been delivered on the date which appears first of page 1.

EXECUTED as a deed poll by SOLID STATE PLC

acting by, ………………………………………,	)	………………………………………
a director	)	Director

in the presence of:

Witness signature:…………………………….

Witness name: ………………………………..

Witness address:………………………………

…………………………………………………..

Witness occupation: ………………………….

SOLID STATE PLC

DESIGN - MANUFACTURE - DISTRIBUTION

TRUSTED TECHNOLOGY FOR DEMANDING APPLICATIONS

WWW.SOLIDSTATEPLC.COM