Solid State plc

Annual Report & Accounts
31 March 2011

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Peter Haining, FCA, *Chairman* Gary Stephen Marsh, *Chief Executive Officer* William George Marsh, *Director* John Michael Lavery, *Director* Gordon Leonard Comben, *Director* John Lawford Macmichael, *Director* Anthony Brian Frere, *Director*
Company Secretary and Registered Office:	Peter Haining, FCA Solid State PLC Unit 2 Eastlands Lane Paddock Wood Kent TN12 6BU
Company Number:	00771335
Nominated Adviser:	W H Ireland Limited 4 Colston Avenue Bristol BS1 4ST
Broker:	W H Ireland Limited 4 Colston Avenue Bristol BS1 4ST
Auditors:	Haysmacintyre Fairfax House 15 Fulwood Place London WC1V 6AY
Solicitors:	Thomson Snell & Passmore 3 Lonsdale Gardens Tunbridge Wells Kent TN1 1NX
Bankers:	HSBC plc 9 Wellesley Road Croydon Surrey CR9 2AA
Registrars:	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Country of Incorporation of Parent Company:	Great Britain
Legal Form:	Public Limited Company
Domicile:	Great Britain

CHAIRMAN'S STATEMENT

Results

I am very pleased to present a set of results which not only represent a record achievement across all key performance indicators but also illustrate a step change in our business and a validation of our growth strategy.

Turnover increased 57% to £21.17m (2010: £13.51m) with profit before tax increasing 135% to £1.243m (2010: £0.53m). Underlying growth for the core business, excluding the recent Rugged Systems Ltd acquisition, grew 28% to £17.26m with profit before tax increasing to £1.142m, up 115%.

Despite margin pressures resulting from broader economic conditions and the inevitable pressures from competitors, Group gross profit margins rose to 27.8% (2010: 27.0%).

These results have been achieved despite significant activities and costs associated with the restructuring and relocation of existing business units and integration of recent acquisitions. This investment of time and capital establishes a sound base for the next stage of our growth.

Dividends

The Directors recommend that a final dividend of 4p per share be paid. An interim dividend of 2p per share was paid in January 2011 giving a total dividend in respect of the year of 6p per share (2010: 3p per share). The final dividend will be paid on 9th September 2011 to shareholders on the register at the close of business on 19th August 2011. The shares will go ex dividend on 17th August 2011.

Business Review

Solid State is a group of companies focussed on the supply and support of specialist electronics equipment which include high tolerance and tailor made battery packs, specialist electronic components and industrial/rugged computers. The market for Solid State's products and services is driven by the need for custom electronic solutions to address complex needs, typically in harsh environments where enhanced durability and resistance to extreme and volatile temperatures is vital. Drivers in our markets include efficiency improvement, cost saving, environmental monitoring and safety.

Divisional Review

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

Solid State Supplies Ltd

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

The financial year to 31st March 2011 saw the successful completion of the restructuring activities reported in previous statements.

Year-on-year bookings growth of 46% and sales growth of 32% demonstrated a positive order to fulfilment ratio. This leaves Solid State Supplies with a very healthy forward order book which stood at £2.234m as at 31st March 2011. All of the Solid State Supplies key performance indicators outperformed those reported by the industry association Electronic Components Supply Network (formerly AFDEC).

Despite continuing competition, gross margins held up well and closed at 27.3% (2010: 27.2%). The company returned to a sustainable net trading profit in the year.

Solid State Supplies exits the year with a highly enthusiastic workforce and very much improved morale, all of which have contributed to the successful outturn of the period.

Going forward, the company expects to see a moderation in the growth curve throughout 2011/12 as austerity measures begin to be implemented and their effects start to be seen. Despite being mindful of this trend, the company continues to plan for expansion both through increased sales on existing franchises, such as the extension to the Microsemi agreement in July 2011, and through the expansion of the franchises available. The market for specialist technical components continues to grow. Solid State Supplies remains optimistic that it will continue to expand its market share through dedicating its efforts exclusively to the sale and associated technical support of specialist electronic components.

CHAIRMAN'S STATEMENT (continued)

Rugged Systems Ltd
Rugged Systems is the UK's leading provider of rugged mobile computing solutions.

In the first full year of trading since its acquisition in April 2010, sales have increased by 26% compared with the previous year and Rugged Systems has returned to profit. The reorganisation and the relocation of the business have also taken place over this period.

Rugged Systems enters the next financial year with some notable contracts under negotiation and a good outstanding order book but remains alert to market conditions as this sector is the area most likely to be affected by spending reviews.

From 1st April 2011, the assets and operations of Rugged Systems Ltd were transferred to Steatite Ltd where it will run as a separate division and retain its well recognised trading name. The focus of its business will be to deliver greater value added to its product offering thereby enhancing profit margins. The division is targeted at becoming the largest in its sector for the UK market place. Following the transfer Rugged Systems Ltd has become a dormant wholly owned subsidiary.

Steatite Ltd
Steatite designs, manufacturers and supplies a range of product solutions that include, battery packs, components and a full range of rugged notebooks, industrial computer hardware and software, with the ability to design and manufacture bespoke units to customers' exact requirements.

The accounts record a strong performance with sales increasing by 29% compared with the previous year. Both the battery and computer divisions performed well, increasing their sales and exceeding margin expectations while outperforming the industry sector.

Given the tragic events of the natural disaster in Japan, to avoid any supply risk, we had to significantly increase stock of certain components to help ensure we met customer delivery requirements. This stock increase is reflected in the year-end inventory level.

The relocation of the business was completed during the December shutdown and was fully operational from the beginning of the new calendar year. This substantial new facility will enable Steatite to further enhance its product offering and capability to its customer base.

Prospects for the year ahead remain positive with a healthy outstanding order book. However, general market conditions remain uncertain as the true extent of government expenditure cuts hit all areas of the UK economy. This will almost certainly impact the double digit growth that Steatite has achieved over the last three years.

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

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

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

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

CHAIRMAN'S STATEMENT (continued)

Your Directors consider that the resolutions to be proposed at the meeting are in the best interests of the Company and its shareholders. They unanimously recommend that all Ordinary shareholders vote in favour of the resolution at the Annual General Meeting as they intend to do in respect of their beneficial holdings amounting to 4,316,989 Ordinary shares, representing 63.6% of the Company's issued Ordinary share capital.

Outlook

Solid State differentiates itself from its competitors through the in-depth technical knowledge of its engineers. Manufacturers recognise the benefit to both themselves and the ultimate customers of this consultative and comprehensive approach to the use of specialist products, particularly in the design of bespoke electronic solutions. This ability to work closely with customers acts to attract both new franchises and new clients. We are confident of the organic growth opportunities of this approach, which is distinct in our market.

We enter the new financial year with a record order book and whilst trading conditions are a little more uncertain than this time last year, our strong project pipeline means that we look forward with optimism to the new financial year. The first quarter of the new fiscal year has seen an increase in both revenues and profitability compared to the same period last year, despite the slowdown in the pace of growth of manufacturing in the UK and the implementation of the Government's austerity measures. With the extension to our franchise agreement with Microsemi, coupled with the potential for several major new contracts in our computer division, the Board remains confident that the step change in profitability achieved last year can be sustained and developed in the new financial year.

As stated previously, we continue to seek further complementary acquisition opportunities in the UK electronics industry.

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

Peter Haining
Chairman
27th July 2011

DIRECTORS' REPORT
For the year ended 31st March 2011

The Directors submit their report together with the audited financial statements of the Group in respect of the year ended 31st March 2011.

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

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

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

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

Foreign currency risk primarily relates to the US dollar: Sterling exchange rate and although much progress has been made in recent years in converting the sales currency into line with the purchase currency on any contract, the Group still has purchases in dollars which are considerably in excess of the sales made in dollars. In the year under review the Group purchased US$6,725,000.

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

The nature of the business means that cash flow requirements fluctuate very significantly with some large contracts requiring significant funding in the short term. Invoice discounting is used as a source of funding on trade debtors in Steatite Limited and Rugged Systems Limited, but in addition the Group has an overdraft facility of £1m, about to rise to £1.5m, to ensure that facilities are always available to progress contracts, including circumstances where the contract has been awarded close to the date of commencement and advance payments to suppliers are required.

Credit risk arises as the vast majority of sales are on credit terms, and the recent increase in turnover has led to trade receivables rising from £2,489,507 at the start of the year under review to £3,876,414 at the end of the year. However it is Group policy that all new customers are assessed for their credit risk before any binding contracts are entered into and all existing accounts are reviewed at least once a year. In the year under review bad debts written off have amounted to less than 0.03% of the turnover.

One major decision taken during the year was to move the Steatite and Rugged Systems operation into larger premises at Redditch, a move which has resulted in significant increases in overhead levels as well as the non-recurring relocation costs. However, the decision was taken on the basis of the need for further space as the previous premises would have inhibited further growth of this business. In taking this decision the directors were mindful of the likely effects of government reductions particularly on military expenditure, but the policy of looking for business outside that sector has resulted in a wider range of turnover and already the new premises are coping with a level of activity which would have been impractical in the previous premises.

The Group finances its operations by a mixture of retained profits, bank borrowings and invoice discounting facilities. The directors are pleased to note that the net tangible assets of the Group have increased during the year under review by almost £400,000 and since the end of the year further shares have been issued under share option agreements which have raised a further £200,000 of finance.

The Group does not comment on environmental matters.

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

DIRECTORS' REPORT
For the year ended 31st March 2011 (continued)

Results and Dividends
The consolidated statement of comprehensive income is set out on page 12. The Directors recommend that a final dividend of 4p per share is paid. The total dividend for the year is thus 6p per share. The final dividend will be paid on 9th September 2011 to shareholders on the register at the close of business on 19th August 2011.

Directors
The Directors of the Company during the year were:
P Haining FCA
G S Marsh
W G Marsh
J M Lavery
G L Comben
J L Macmichael
A B Frere
L C A Newnham served as a director until his resignation on 31st December 2010.

Peter Haining FCA, (dob 05/09/1956), Non-executive Director, Company Secretary and Chairman
Peter Haining qualified as a chartered accountant in 1980 and later worked at Binder Hamlyn. He left Binder Hamlyn in 1992, together with three colleagues, to establish The Kings Mill Partnership. As well as fulfilling a role as Non-executive Director and Chairman, Peter Haining has specific responsibility for reviewing and advising on the Group's budgets and financial affairs.

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

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

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

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

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

DIRECTORS' REPORT
For the year ended 31st March 2011 (continued)

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

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

Corporate Governance
The Board confirms that the Group has had regard, throughout the accounting period, with the provisions set out in Section 1 of the Combined Code which was issued by the Financial Reporting Council in June 2006. Whilst not required to do so, as a matter of best practice, the Directors have voluntarily endeavoured to comply with those provisions which they consider to be relevant to a company of this size.

The audit committee consists of Messrs W G Marsh and A B Frere, and meets regularly to ensure that the financial performance of the Group is properly recorded and monitored, to meet the auditors and to review the reports from the auditors relating to accounts and internal control systems.

The remuneration committee consists of Messrs G L Comben, A B Frere and P Haining. The purpose of the committee is to review the performance of the full time executive Directors and to set the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of the shareholders. It is a rule of the committee that no Director shall participate in discussions or decisions concerning his own remuneration.

Board of Directors
The Board consists of four executive Directors and three Non-executive Directors and meets regularly throughout the year.

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

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

Purchase of Own Shares
At the year end the Company had in place authority to purchase 923,476 ordinary shares under authority given by a resolution at the Annual General Meeting on 1st September 2010. This authority expires on 1st March 2012.

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

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

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

DIRECTORS' REPORT
For the year ended 31st March 2011 (continued)

Statement of Directors' Responsibilities
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the group, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 2006.

The Directors are responsible for preparing the annual report and financial statements in accordance with the Companies Act 2006. The Directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The Directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice.

Group Financial Statements
International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements." In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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

- select suitable accounting policies and then apply them consistently.
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- make judgements and estimates that are reasonable and prudent.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Creditor Payment Policy
The Company's policy for the year to 31st March 2011 for all suppliers is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment.

Creditor days based on the year end trade creditors and purchases made in the year were 50 days (2010: 56 days).

DIRECTORS' REPORT
For the year ended 31st March 2011 (continued)

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

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
27th July 2011

Registered Office: Unit 2, Eastlands Lane, Paddock Wood, Kent, TN12 6BU

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

We have audited the financial statements of Solid State PLC for the year ended 31st March 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Company Balance Sheet and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom GAAP).

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

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on pages 9 and 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2011 and the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

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

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

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

David Cox *(Senior statutory auditor)*
for and on behalf of haysmacintyre, Statutory Auditor
27th July 2011

Fairfax House
15 Fulwood Place
London WC1V 6AY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st March 2011

	Notes	**2011** **£**	**2010** **£**
Revenue	2	21,169,308	13,509,123
Cost of sales		(15,282,648)	(9,865,137)
GROSS PROFIT		5,886,660	3,643,986
Distribution costs		(1,844,559)	(1,331,452)
Administrative expenses		(2,745,555)	(1,760,052)
PROFIT FROM OPERATIONS	3	1,296,546	552,482
Finance costs	6	(53,150)	(22,697)
PROFIT BEFORE TAXATION		1,243,396	529,785
Tax expense	7	(274,912)	(124,150)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		968,484	405,635
OTHER COMPREHENSIVE INCOME/(EXPENSE) Translation differences on overseas operations		4,708	(3,000)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		973,192	402,635

EARNINGS PER SHARE			
Basic	8	15.7p	6.6p
Diluted	8	15.0p	6.6p

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31st March 2011

	Share Capital	Share Premium Reserve	Capital Redemption Reserve	Foreign Exchange Reserve	Retained Earnings	Total
Balance at 31st March 2009	307,826	756,980	4,674	58,126	1,837,390	2,964,996
Total comprehensive income For the year ended 31st March 2010	-	-	-	(3,000)	405,635	402,635
Share based payment expense	-	-	-	-	12,546	12,546
Dividends	-	-	-	-	(184,695)	(184,695)
Balance at 31st March 2010	307,826	756,980	4,674	55,126	2,070,876	3,195,482
Total comprehensive income For the year ended 31st March 2011	-	-	-	4,708	968,484	973,192
Share based payment expense	-	-	-	-	16,188	16,188
Dividends	-	-	-	-	(246,260)	(246,260)
Balance at 31st March 2011	307,826	756,980	4,674	59,834	2,809,288	3,938,602

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31st March 2011

	Notes	2011 £	2011 £	2010 £	2010 £
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	10		613,756		299,844
Intangible assets	11		2,374,618		2,028,946
TOTAL NON-CURRENT ASSETS			2,988,374		2,328,790
CURRENT ASSETS					
Inventories	14	2,765,672		1,787,520	
Trade and other receivables	15	4,214,693		2,562,387	
Cash and cash equivalents		73,003		343,835	
TOTAL CURRENT ASSETS			7,053,368		4,693,742
TOTAL ASSETS			10,041,742		7,022,532
LIABILITIES					
CURRENT LIABILITIES					
Bank overdraft		481,232		461,627	
Trade and other payables	16	3,911,120		2,172,882	
Bank borrowings	17	1,184,964		1,063,703	
Corporation tax liabilities		258,826		118,814	
TOTAL CURRENT LIABILITIES			5,836,142		3,817,026
NON CURRENT LIABILITIES					
Borrowings	18	200,000		-	
Deferred tax liability	20	66,998		10,024	
TOTAL NON-CURRENT LIABILITIES			266,998		10,024
TOTAL LIABILITIES			6,103,140		3,827,050
TOTAL NET ASSETS			3,938,602		3,195,482
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
Share capital	21		307,826		307,826
Share premium reserve	22		756,980		756,980
Capital redemption reserve	22		4,674		4,674
Foreign exchange reserve	22		59,834		55,126
Retained earnings	22		2,809,288		2,070,876
TOTAL EQUITY			3,938,602		3,195,482

The financial statements were approved by the Board of Directors and authorised for issue on 27th July 2011 and were signed on its behalf by:

P. Haining
Director

G S Marsh
Director

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31st March 2011

	2011		2010	
	£	**£**	**£**	**£**
OPERATING ACTIVITIES				
Profit before taxation		1,243,396		529,785
Adjustments for:				
Depreciation		113,193		88,929
Amortisation		22,080		7,695
(Profit)/Loss on disposal of property, plant and equipment		(6,179)		4,928
Share based payment expense		16,188		12,546
Finance costs		53,150		22,697
Profit from operations before changes in working capital and provisions		1,441,828		666,580
(Increase) in inventories	(836,550)		(233,491)	
(Increase) in trade and other receivables	(1,268,263)		(342,513)	
Increase in trade and other payables	1,216,980		334,117	
		(887,833)		(241,887)
Cash generated from operations		553,995		424,693
Income taxes paid	(114,439)		(123,982)	
		(114,439)		(123,982)
Cash flow from operating activities		439,556		300,711
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(483,553)		(158,014)	
Purchase of computer software	(13,777)		(3,835)	
Proceeds of sales from property, plant and equipment	70,466		53,558	
Consideration paid on acquisition of subsidiary	(225,263)		-	
Cash within subsidiary over which control has been obtained	157,528		-	
		(494,599)		(108,291)
		(55,043)		192,420
FINANCING ACTIVITIES				
Medium term loan received	200,000		-	
Repayment of debt factoring	(255,900)		-	
Repayment of finance lease	(6,053)		-	
Invoice discounting finance (net movement)	121,261		351,664	
Interest paid	(53,150)		(22,697)	
Dividend paid to equity shareholders	(246,260)		(184,695)	
		(240,102)		144,272
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(295,145)		336,692

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31st March 2011 (continued)

Cash and cash equivalents comprise:

	2011 £	2010 £
Net (decrease)/increase in cash and cash equivalents	(295,145)	336,692
Cash and cash equivalents at beginning of year	(117,792)	(451,484)
Exchange gains on cash and cash equivalents	4,708	(3,000)
Cash and cash equivalents at end of year	(408,229)	(117,792)

There were no significant non-cash transactions.

	2011 £	2010 £
Cash available on demand	73,003	343,835
Overdrafts	(481,232)	(461,627)
	(408,229)	(117,792)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2011

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS

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

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

As allowed by IFRS 1, we have elected not to apply IFRS retrospectively for business combinations computed prior to 1st April 2006 and have used the carrying value of goodwill resulting from business combinations occurring before the date of transition as deemed costs, subjecting this to impairment reviews at the date of transition (1st April 2006) and at the end of each financial year thereafter.

Basis of Consolidation
Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

Business Combinations
The consolidated financial statements incorporate the results of business combinations using the purchase method other than disclosed above. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

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

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

Impairment of non-financial assets
Impairment tests on goodwill are undertaken annually on 31st March, and on other non-financial assets whenever events or changes in circumstances indicate that their carrying value may not be reasonable. Where the carrying value of an asset exceeds its recoverable amount (ie the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Impairment charges are included in the administrative expenses line item in the consolidated statement of comprehensive income, except to the extent that they reverse gains previously recognised in the consolidated statement of recognised income and expense. An impairment loss recognised for goodwill is not reversed.

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

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

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

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

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

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

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

Normal payment terms apply to the bill and hold arrangements.

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

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

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

Depreciation is provided on all UN licences to write off the carrying value of each licence over its expected useful life, which is generally 10 years from its original grant.

Leased assets
Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight-line basis over the lease term.

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

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads. Net realisable value is based on estimated selling price less any additional costs to completion and disposal.

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

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Deferred taxation
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit: and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the differences can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered)

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities, and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

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

Foreign currency
Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which it operates are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are retranslated at the rates ruling at the balance sheet date. Exchange differences arising are recognised in the statement of comprehensive income.

On consolidation, the statement of financial position of overseas operations are translated into sterling at rates approximating to those ruling at the statement of financial position date. Exchange differences arising on retranslation of the net assets and results of the overseas operations are recognised directly in the "foreign exchange reserve".

Research and development costs
Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the cost of sales line in the statement of comprehensive income.

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

None of the development costs during the years ended 31st March 2010 and 31st March 2011 met the conditions necessary for capitalisation.

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

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

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

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

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

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

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

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

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

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

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

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

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

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

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

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

Standards and amendments and interpretations to published standards not yet effective

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

IFRS 9 Financial Instruments (effective for accounting periods beginning or after 1st January 2013). IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities.

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

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

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

IFRS 13 Fair Value Measurement (effective for accounting periods beginning on or after 1st January 2013). IFRS 10 establishes a single framework for all fair value measurements when fair value is required or permitted by IFRS.

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

2. REVENUE

Revenue arises from:

	2011 £	2010 £
Sale of goods	21,075,785	13,440,759
Provision of services	93,523	68,364
	21,169,308	13,509,123

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

3. PROFIT FROM OPERATIONS

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

	2011	**2010**
	£	**£**
Staff costs (see note 4)	3,020,175	2,111,835
Employment termination costs (included in staff costs)	78,110	5,000
Depreciation of property, plant and equipment	113,193	88,929
Amortisation of computer software	22,080	7,695
(Profit)/loss on disposal of property, plant and equipment	(6,179)	4,928
Goodwill impairment charge	-	-
Auditors' remuneration:		
Audit fees	1,000	1,000
Audit of accounts of associates of the company pursuant to legislation	35,002	26,395
Operating lease rentals:		
Plant and machinery	21,965	29,166
Other	142,177	103,801
Research and development costs	114,612	87,461
Foreign exchange differences	(212,827)	(127,648)
Stock write downs	162,000	131,000

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

4. STAFF COSTS

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

	2011	**2010**
	£	**£**
Wages and salaries	2,671,973	1,912,592
Social security costs	288,664	197,400
Other pension costs	59,538	1,843
	3,020,175	2,111,835

Wages and salaries include termination costs of £78,110 (2010: £5,000)

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

	2011	**2010**
	Number	**Number**
Selling and distribution	29	23
Manufacturing	20	19
Management and administration	28	24
	77	66

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

5. DIRECTORS' EMOLUMENTS, INTERESTS AND SERVICES CONTRACTS

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

	Salary	Fees	Benefits in kind	Total emoluments	Pension contributions	Share based payments	Total
	£	£	£	£	£	£	£
31st March 2011							
Executive Directors							
W G Marsh	12,000	-	5,000	17,000	-	-	17,000
G S Marsh	210,000	-	12,000	222,000	-	6,000	228,000
J M Lavery	165,000	-	16,000	181,000	48,000	6,000	235,000
J L Macmichael	80,000	-	10,000	90,000	-	4,000	94,000
Non-executive Directors							
P Haining	-	15,000	-	15,000	-	-	15,000
L C A Newnham	9,000	-	-	9,000	-	-	9,000
G L Comben	6,000	-	13,000	19,000	-	-	19,000
A B Frere	15,000	-	-	15,000	-	-	15,000
Total	497,000	15,000	56,000	568,000	48,000	16,000	632,000
31st March 2010							
Executive Directors							
W G Marsh	12,000	-	5,000	17,000	-	-	17,000
G S Marsh	107,000	-	11,000	118,000	-	6,000	124,000
J M Lavery	107,000	-	15,000	122,000	2,000	6,000	130,000
Non-executive Directors							
P Haining	-	12,000	-	12,000	-	-	12,000
L C A Newnham	12,000	-	-	12,000	-	-	12,000
G L Comben	12,000	-	5,000	17,000	-	-	17,000
Total	250,000	12,000	36,000	298,000	2,000	12,000	312,000

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

	2011	2010
	£	£
W G Marsh	24,000	24,000

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

In addition to the above, fees totalling £56,000 (2010: £50,895) arose during the year in respect of accountancy services provided by The Kings Mill Partnership, a firm of which P Haining is a partner. A balance of £14,472 (2010: £11,574) was due to The Kings Mill Partnership at 31st March 2011.

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

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

The four executive Directors have service contracts with the Company which are terminable by the Company, or the relevant Director, on one year's notice.

The Directors of the Company on 27th July 2011 and at the statement of financial position date, and their interest in the issued ordinary share capital of the Company at that date, at 31st March 2011 and 31st March 2010 or date of appointment if later, were as follows:

	27.07.11	**31.03.11**	**31.03.10**
G L Comben	2,000,000	2,715,106	2,727,606
W G Marsh	1,488,000	1,688,000	1,700,500
G S Marsh	391,169	73,709	73,683
J M Lavery	318,320	860	824
P Haining	52,500	12,500	12,500
J L Macmichael	11,000	-	-
A B Frere	56,000	-	-

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

	Options held at 01.04.10	**Lapsed**	**Granted**	**Options held at 31.03.11**	**Exercise price**	**Date of grant**	**Exercise period**
G S Marsh	317,460	-	-	317,460	31.5p	22.01.08	Jan 2010 onwards
J M Lavery	317,460	-	-	317,460	31.5p	22.01.08	Jan 2010 onwards
J L Macmichael	-	-	60,000	60,000	62p	23.12.10	Dec 2011 onwards

The market price of the shares at 31st March 2011 was 99p (2010: 37.5p), with a quoted range during the year of 37.5p to £1.01. No director exercised any share options during the year, or in the prior year.

Since the balance sheet date, G S Marsh and J M Lavery have fully exercised their options and on 10th May 2011 each received further options under the scheme over 120,603 shares at an exercise price of 99.5p per share, exercisable subject to certain performance criteria being met between May 2012 and March 2016.

On 1st April 2011, further share options under the Scheme were granted to J L Macmichael. These options are over 88,085 shares at an exercise price of 94p per share, exercisable subject to certain performance criteria being met at any time from April 2012.

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

6. FINANCE COSTS

	2011 £	2010 £
Bank borrowings	18,241	11,565
Invoice discounting interest	21,044	10,474
Other interest	13,865	658
	53,150	22,697

Other interest includes £8,798 (2010: £nil) to G L Comben and £2,850 (2010: £nil) to W G Marsh in respect of their unsecured loans to the group. Further details of these loans are stated in Note 18 on page 31.

7. TAX EXPENSE

	2011 £	2010 £
Current tax expense		
UK corporation tax and income tax of overseas operations on profits or losses for the year	258,826	118,814
Adjustment in respect of prior periods	(4,375)	(4,688)
	254,451	114,126
Deferred tax expense	20,461	10,024
Total tax charge	274,912	124,150

The deferred tax expense has been reduced by £5,139 (2010: £nil) as a result of the reduction in the applicable rate of corporation tax from 28% to 26%.

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:

	2011 £	2010 £
Profit before tax	1,243,396	529,785
Expected tax charge based on the standard rate of corporation tax in the UK of 28% (2010 – 28%)	348,151	148,340
Effect of:		
Expenses not deductible for tax purposes	11,578	8,535
Deductible expenses not charged in Group accounts	(9,649)	(9,649)
Difference between depreciation for the year and capital allowances	1,065	1,225
Utilisation of tax losses	(46,495)	-
Marginal relief	(1,295)	(1,246)
Enhanced relief on research and development expenditure	(24,068)	(18,367)
Adjustment to enhanced relief on research and development expenditure in prior year	(4,375)	(4,688)
Total tax charge	274,912	124,150

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

8. EARNINGS PER SHARE

The earnings per share is based on the following:

	2011 £	2010 £
Earnings	968,484	405,635
Weighted average number of shares	6,156,511	6,156,511
Diluted number of shares	6,444,348	6,156,511
Earnings per share	15.7p	6.6p
Diluted earnings per share	15.0p	6.6p

Earnings per ordinary share has been calculated using the weighted average number of shares in issue during the year. The weighted average number of equity shares in issue was 6,156,511(2010: 6,156,511).

The Diluted earnings per share is based on 6,444,348 (2010: 6,156,511) ordinary shares which allow for the exercise of all dilutive potential ordinary shares.

In the prior year, certain employee options were not included in the calculation of diluted EPS because their exercise was contingent on the satisfaction of certain criteria that had not been met at the end of the year. In addition, certain employee options were also excluded from the calculation of diluted EPS as their exercise price was greater than the weighted average share price during the year (ie they are out-of-the-money) and therefore it would not be advantageous for the holders to exercise the options.

The number of share options which have not been included in the calculation of the weighted average number of shares was 60,000 (2010: 634,920).

9. DIVIDENDS

	2011 £	2010 £
Final dividend paid for the prior year of 2p per share (2010: 2p)	123,130	123,130
Interim dividend paid of 2p per share (2010: 1p)	123,130	61,565
	246,260	184,695
Final dividend proposed for the year 4p per share (2010: 2p)	271,657	123,130

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

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

10. PROPERTY, PLANT AND EQUIPMENT

	Short leasehold property improvements £	Motor vehicles £	Fittings equipment and computers £	Total £
Year ended 31st March 2010				
Cost				
1st April 2009	255,176	309,583	898,613	1,463,372
Additions	-	132,459	25,552	158,011
Disposals	-	(142,963)	-	(142,963)
31st March 2010	255,176	299,079	924,165	1,478,420
Depreciation				
1st April 2009	255,176	130,318	788,630	1,174,124
Charge for the year	-	51,015	37,914	88,929
On disposal	-	(84,477)	-	(84,477)
31st March 2010	255,176	96,856	826,544	1,178,576
Net book value				
31st March 2010	-	202,223	97,621	299,844
Year ended 31st March 2011				
Cost				
1st April 2010	255,176	299,079	924,165	1,478,420
Additions	199,331	234,183	50,039	483,553
Acquisition of subsidiary	-	-	7,839	7,839
Disposals	(255,176)	(135,232)	(2,800)	(393,208)
31st March 2011	199,331	398,030	979,243	1,576,604
Depreciation				
1st April 2010	255,176	96,856	826,544	1,178,576
Charge for the year	8,472	65,164	39,557	113,193
On disposal	(255,176)	(71,785)	(1,960)	(328,921)
31st March 2011	8,472	90,235	864,141	962,848
Net book value				
31st March 2011	190,859	307,795	115,102	613,756

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

There were no capital commitments at 31st March 2010.

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

12. INTANGIBLE ASSETS

	UN Licences £	Computer software £	Goodwill on consolidation £	Other intangible assets £	Total £
Year ended 31st March 2010					
1st April 2009	9,800	38,477	1,992,737	-	2,041,014
Additions	-	3,835	-	-	3,835
31st March 2010	9,800	42,312	1,992,737	-	2,044,849
Amortisation					
1st April 2009	-	8,208	-	-	8,208
Charge for the year	-	7,695	-	-	7,695
31st March 2010	-	15,903	-	-	15,903
Net book value					
31st March 2010	9,800	26,409	1,992,737	-	2,028,946
Year ended 31st March 2011					
Cost					
1st April 2010	9,800	42,312	1,992,737	-	2,044,849
Additions	-	13,777	-	-	13,777
Acquisition of subsidiary	-	-	213,541	140,434	353,975
31st March 2011	9,800	56,089	2,206,278	140,434	2,412,601
Amortisation					
1st April 2010	-	15,903	-	-	15,903
Charge for the year	-	8,037	-	14,043	22,080
31st March 2011	-	23,940	-	14,043	37,983
Net book value					
31st March 2011	9,800	32,149	2,206,278	126,391	2,374,618

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

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

12. GOODWILL AND IMPAIRMENT

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

	Goodwill carrying amount 2011 £	2010 £
Steatite Limited	1,992,737	1,992,737
Rugged Systems Limited	213,541	-
	2,206,278	1,992,737

The recoverable amounts of all the above CGUs have been determined from a review of the current and anticipated performance of these units. In preparing the projection, a discount rate of 15% (2010: 15%) has been used based on the working average cost of capital and a future growth rate of 2.25% has been assumed beyond the first year for which the projection is based on the budget approved by the board of directors. The future growth rate has been applied for the next four years. It has been assumed investment in capital equipment will equate to depreciation over this period. The discount rate was based on the group's "beta" which is a measure of the volatility of the share price against the market. This amounts to 0.84 (2010: 0.84).

The recoverable amount exceeds the carrying amount by £7,666,000 (2010: £2,110,000). If any one of the following changes were made to the above key assumptions, the carrying amount would still exceed the recoverable amount.

Discount rate: Increase from 15% to 18%
Growth rate: Reduction from 2.25% to 1.75%

13. SUBSIDIARIES

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

Subsidiary undertakings	Country of Incorporation	Proportion of voting rights and Ordinary share capital held	Nature of business
Solid State Supplies Limited	Great Britain	100%	Distribution of electronic components
Steatite Limited	Great Britain	100%	Distribution of electronic components and manufacture of electronic equipment
Rugged Systems Limited	Great Britain	100%	Supply of computer products

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

With effect from 1st April 2011 the trade of Rugged Systems Limited has been transferred to Steatite Limited and the company became dormant.

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

14. INVENTORIES

	2011 £	2010 £
Finished goods and goods for resale	2,392,993	1,422,504
Work in progress	372,679	365,016
	2,765,672	1,787,520

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

15. TRADE AND OTHER RECEIVABLES

	2011 £	2010 £
Trade receivables	3,876,414	2,489,507
Other receivables	2,808	-
Prepayments	335,471	72,880
	4,214,693	2,562,387

Group trade receivables include £1,768,843 (2010: £1,318,785) which are subject to an invoice discounting agreement. Under this agreement, borrowing equal to 85% of the relevant book debts can be taken with interest charged at 2% over bank base rate and an administration fee of 0.175% of the gross value of the debts per month. At 31st March 2011 borrowing under the agreement of £1,348,700 (2010: £1,063,703) was available of which £1,184,164 (2010: £1,063,703) was taken up. Interest charges in the year amounted to £21,044 (2010: £10,474) and administration fees to £30,826 (2010: £17,770).

16. TRADE AND OTHER PAYABLES (CURRENT)

	2011 £	2010 £
Trade payables	2,680,178	1,525,761
Other taxes and social security taxes	493,192	321,837
Other payables	209,675	12,574
Accruals	320,067	143,140
Deferred income	208,008	169,570
	3,911,120	2,172,882

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

17. BANK BORROWINGS

	2011 £	2010 £
Amounts due to invoice discounters	1,184,964	1,063,703

The bank overdraft is secured by a fixed and floating charge over the assets of the Company and the Group. At the balance sheet date, the Group had an undrawn overdraft facility of £608,000 (2010: £140,000).

18. TRADE AND OTHER PAYABLES (NON CURRENT)

	2011 £	2010 £
Medium term loans	200,000	-

The medium term loans comprise loans of £150,000 from G L Comben and £50,000 from W G Marsh. The loans are unsecured and interest is payable at the rate of 6% per annum. The loans were made on 1st June 2010 and are repayable on 31st May 2012.

19. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

19. FINANCIAL INSTRUMENTS (continued)

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

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

The maximum exposure to credit risk is represented by the carrying value in the statement of financial position as shown in note 16 and in the statement of financial position. The amount of the exposure shown in note 15 is stated net of provisions for doubtful debts.

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

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

Foreign exchange translation risk arises on translation of the balance sheets of Group operations whose functional currency is different to that of the Group as a whole. The predominant area where this risk applies is US dollars and Swiss francs.

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

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

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

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

	Loans and Receivables	
	2011	**2010**
	£	**£**
Current financial assets		
Trade and other receivables	4,214,693	2,562,387
Cash and cash equivalents	73,003	343,835
	4,287,696	2,906,222

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

19. FINANCIAL INSTRUMENTS (continued)

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

	Carrying value	
	2011	**2010**
	£	**£**
UK	3,803,133	2,346,611
Non UK	73,281	142,896
	3,876,414	2,489,507

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 £7,262 (2010: £20,000) which represented less than 0.03% (2010: 0.15%) of revenue. This provision is included within the management and administration costs in the Consolidated Statement of Comprehensive Income.

Trade receivables ageing by geographical segment

Geographical area	**Total**	**Current**	**30 days past due**	**60 days past due**	**90 days past due**
	£	**£**	**£**	**£**	**£**
2011					
UK	3,913,038	3,612,489	231,092	11,753	57,704
Non UK	73,281	63,115	10,166	-	-
Total	3,986,319	3,675,604	241,258	11,753	57,704
Less: Provisions	(109,905)	-	(40,448)	(11,753)	(57,704)
Total	3,876,414	3,675,604	200,810	-	-
2010					
UK	2,449,254	2,309,465	135,142	3,293	1,354
Non UK	142,896	138,913	1,790	2,193	-
Total	2,592,150	2,448,378	136,932	5,486	1,354
Less: Provisions	(102,643)	-	(95,803)	(5,486)	(1,354)
Total	2,489,507	2,448,378	41,129	-	-

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

19. FINANCIAL INSTRUMENTS (continued)

The Group records impairment losses on its trade receivables separately from gross receivables. The movements on this allowance account during the year are summarised below:

	2011 £	2010 £
Opening balance	102,643	102,141
Increases in provisions	7,262	20,000
Written off against provisions	-	(19,498)
	109,905	102,643

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

As shown in the earlier table, at 31st March 2011 trade receivables of £200,810 which were past their due date were not impaired (2010: £41,129). All of these were less than 60 days past their due date.

Liquidity risk

	Financial liabilities measured at amortised cost 2011 £	2010 £
Current financial liabilities		
Trade and other payables	3,911,601	2,200,308
Bank borrowings	1,184,964	1,063,703
Bank overdraft	465,230	434,201
	5,561,795	3,698,212
Non current financial liabilities		
Loans and borrowings	200,000	-

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

19. FINANCIAL INSTRUMENTS (continued)

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

	Carrying amount	Contractual cash flow	6 months or less	6 – 12 months	1 or more years
2011					
Secured bank loans	-	-	-	-	-
Bank overdrafts	481,232	481,232,	481,232	-	-
Amounts due to invoice discounters	1,184,964	1,184,964	1,184,964	-	
Other loans	200,000	200,000	-	-	200,000
Trade and other payables	3,911,120	3,911,120	3,911,120	-	-
	5,777,316	5,777,316	5,577,316	-	200,000
2010					
Secured bank loans	-	-	-	-	-
Bank overdrafts	461,627	461,627	461,627	-	-
Amounts due to invoice discounters	1,063,703	1,063,703	1,063,703	-	
Trade and other payables	2,172,882	2,172,882	2,172,882	-	-
	3,698,212	3,698,212	3,698,212	-	-

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

The Group bank overdraft with HSBC plc incurs interest at the rate of 2.3% over the HSBC's base rate. The Group is affected by changes in the UK interest rate.

Details of interest payable under the invoice discounting agreement are stated in Note 15.

Interest rate risk (continued)
The US Dollar overdraft facility bears the interest rate of 2.3% over the HSBC's US dollar base rate and is therefore affected by changes in the US interest rate.

The fair value of the Group's financial instruments is not materially different to the book value.

In terms of sensitivity, if the HSBC base rate had been 1% higher throughout the year the level of interest payable would have been £14,030 (2010: £19,235) higher and if 1% lower throughout the year the level of interest payable would have been lower by the same amount.

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

19. FINANCIAL INSTRUMENTS (continued)

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

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

The following table shows the net liabilities exposed to exchange rate risk that the Group has at 31st March 2011:

	2011	**2010**
	£	**£**
Trade receivables	911,100	636,794
Cash and cash equivalents	15,593	84,796
Trade payables	(1,199,923)	(825,929)
	(273,230)	(104,339)

There were also net liabilities of £7,422 in euros (2010: £32,954).

The Group is exposed to currency risk because it undertakes trading transactions in US dollars and euros. The Directors do not generally consider it necessary to enter into derivative financial instruments to manage the exchange risk arising from its operations, but from time to time when the Directors consider foreign currencies are weak and it is known that there will be a requirement to purchase those currencies, forward arrangements are entered into. Details of those outstanding at the statement of financial position date are given later in this note.

The effect of a strengthening of 10% in the rate of exchange in the currencies against sterling at the statement of financial position date would have resulted in an estimated net decrease in pre-tax profit for the year and a decrease in net assets of approximately £21,300 (2010: £13,700) and the effect of a weakening of 10% in the rate of exchange in the currencies against sterling at the statement of financial position date would have resulted in an estimated net increase in pre-tax profit for the year and an increase in net assets of approximately £21,300 (2010: £13,700).

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

19. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)
At 31st March 2010 the Group had entered into agreement with its bankers to purchase US dollars as follows:

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

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

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

Applying the actual exchange rate at the statement of financial position date to these agreements gives rise to an asset of £3,128 at 31st March 2011 (2010: an asset of £10,561). In view of the immaterial nature of these amounts, no adjustment has been made in the financial statements.

Capital under management
The Group considers its capital to comprise its ordinary share capital, share premium account, capital redemption reserve, foreign exchange reserve and accumulated retained earnings.

In managing its capital, the Group's primary objective is to maximise returns for its equity shareholders. The Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain sufficient funding to enable the Group to meet its working capital and strategic investment need. In making decisions to adjust its capital structure to achieve these aims the Group considers not only its short term position but also its long term operational and strategic objectives.

The Group's gearing ratio at 31st March 2011 is shown below:

	2011 £	2010 £
Cash and cash equivalents	(73,003)	(343,835)
Bank overdrafts	481,232	461,627
Invoice discounting advance	1,184,964	1,063,703
Medium term loans	200,000	-
	1,793,193	1,181,495
Share capital	307,826	307,826
Share premium account	756,980	756,980
Retained earnings	2,809,288	2,199,714
Capital redemption reserve	4,674	4,674
Foreign exchange reserve	59,834	55,126
	3,938,602	3,324,320
Gearing ratio	0.31	0.262

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

20. DEFERRED TAX

	2011 £	2010 £
Accelerated capital allowances		
At 1st April 2010	10,024	-
Acquisition of subsidiary	36,513	-
Charge for the year	25,600	10,024
Effect of tax rate change	(5,139)	-
At 31st March 2011	66,998	10,024

Deferred tax rates are at 26% (2010: 28%) being the rate substantially enacted.

21. SHARE CAPITAL

	2011 £	2010 £
Allotted issued and fully paid		
6,156,511 ordinary shares of 5p each	307,826	307,826

Since the balance sheet date, a further 634,920 shares have been issued at 31.5p as a result of the exercise by G S Marsh and J M Lavery of share options.

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

Details of options granted are set out in Note 5. At 31st March 2011 the number of shares covered by option agreements amounted to 694,920 (2010: 634,920).

No options were exercised in the year (2010: Nil). However certain options have been exercised since the balance sheet and further options have been granted. Details are given in Note 5.

22. RESERVES

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

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

Reserve	Description and Purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption	Amounts transferred from share capital on redemption of issued shares.
Foreign exchange	Gains/losses from the retranslation of net assets of overseas operations into sterling
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.

23. LEASING COMMITMENTS

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

	2011 £	2010 £
No later than 1 year	161,441	86,402
Later than 1 year and no later than 5 years	536,927	32,555
Later than 5 years	567,500	-

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

24. SHARE BASED PAYMENT

The Group operates an approved Enterprise Management Incentive Scheme whereby Mr G S Marsh, Mr J M Lavery and Mr J L Macmichael have been granted options to purchase shares in Solid State PLC at a subscription price which was not less than the market value at the time the option was granted. The options in place at 31st March 2011 all have an exercise period of any time after one year from the date of the grant subject to, in the case of Mr G S Marsh and Mr J M Lavery, the Group share price having equalled or exceeded 50p per share at the close of business on 20 consecutive business days and in the case of Mr J L Macmichael Solid State Supplies Limited having achieved a turnover for a financial year of at least four million pounds.

As at 31st March 2011, none of the options had been exercised since the scheme was put into place, but options were exercised by Mr G S Marsh and Mr J M Lavery in May 2011. Details of the current options and further options granted since the statement of financial position date are stated in Note 5.

The share-based remuneration expenses amounted to £16,188 for the year (2010: £12,546).

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

	2011
Equity settled share based payments	
Option pricing model used	Black Scholes
Weighted average share price at grant date	62p
Exercise price	62p
Standard deviation	51%
Risk free interest rate	1.87%

The standard deviation is based on the statistical analysis of daily share prices over the twelve months prior to the date of the grant.

The market vesting conditions have been factored into the calculation by applying an appropriate discount to the fair value of equivalent share options without the specified vesting conditions.

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

25. SEGMENT INFORMATION

The Group's primary reporting format for segment information is business segments which reflect the management reporting structure in the Group. The distribution division includes Solid State Supplies Limited and the manufacturing division includes Rugged Systems and Steatite Limited which incorporates RZ Pressure and Wordsworth Technology Limited.

Year ended 31st March 2010

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

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

25. SEGMENT INFORMATION (continued)

Year ended 31st March 2011

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

Included within the manufacturing division is £1,803,000 (2010: £1,864,461) relating to income from a major customer which accounts for greater than 10% of the Group's turnover in the prior year.

	External revenue by location of customer		Total assets by location of assets		Net tangible capital expenditure by location of assets	
	2011 £	2010 £	2011 £	2010 £	2011 £	2010 £
United Kingdom	19,892,533	12,351,720	10,029,908	7,007,211	491,392	104,456
Ireland	154,736	109,893	-	-	-	-
Europe	846,851	763,260	11,834	15,321	-	-
North America	89,929	95,930	-	-	-	-
Asia	164,049	159,643	-	-	-	-
Africa	16,000	15,894	-	-	-	-
Australasia	4,646	12,442	-	-	-	-
South America	564	341	-	-	-	-
	21,169,308	13,509,123	10,041,742	7,022,532	491,392	104,456

All the above relate to continuing operations.

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

26. ACQUISITION DURING THE YEAR

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

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

	Book value	Fair value adjustments	Fair value to Group
	£	£	£
Intangible fixed assets	-	140,434	140,434
Tangible fixed assets	71,690	(63,851)	7,839
Stock	141,602	-	141,602
Debtors	384,043	-	384,043
Cash at bank and in hand	157,528	-	157,528
Creditors	(783,211)	-	(783,211)
Deferred tax	-	(36,513)	(36,513)
Net assets/(liabilities) on acquisition	(28,348)	40,070	11,722
Goodwill arising on acquisition			213,541
			225,263
Discharged by:			
Cash			225,263

In addition to the purchase price, the Group incurred costs relating to the acquisition of £7,500. These are included in administrative expenses.

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

The revenue included in the Consolidated Statement of Comprehensive Income arising from Rugged Systems Limited was £3,907,885 and the profit before taxation was £101,829.

COMPANY BALANCE SHEET
at 31st March 2011

	Notes	2011 £	2011 £	2010 £	2010 £
FIXED ASSETS					
Investments	4		2,730,462		2,454,056
			2,730,462		2,454,056
CURRENT ASSETS					
Debtors	5	1,424,712		1,425,091	
Cash at bank and in hand		-		254,603	
		1,424,712		1,679,694	
CREDITORS: Amounts falling due within one year	6	911,034		922,288	
NET CURRENT ASSETS			513,678		757,406
NET ASSETS			3,244,140		3,211,462
CAPITAL AND RESERVES					
Called up share capital	7		307,826		307,826
Share premium account	8		756,980		756,980
Capital redemption reserve	8		4,674		4,674
Profit and loss account	8		2,174,660		2,141,982
SHAREHOLDERS' FUNDS			3,244,140		3,211,462

The financial statements were approved by the Board of Directors and authorised for issue on 27th July 2011.

P Haining
Director

G S Marsh
Director

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31st March 2011

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation
The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost convention. The accounts have been prepared on the going concern basis.

Profit and loss account
Under section 408(4) of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The loss for the year ended 31st March 2011 is disclosed in Note 8.

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at closing rates of exchange.

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

Other financial liabilities
Other financial liabilities include the following items:

- Amounts owed by group undertakings and other creditors, which are recognised at amortised cost.
- Bank borrowings are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liabilities carried in the balance sheet. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Shared based payment
Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of options granted. As long as all other vesting conditions are satisfied, a change is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for factors to achieve a market vesting condition.

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

2. STAFF COSTS

Staff costs amounted £16,188 (2010: £12,546) and comprised the share based payment expense. There were 4 employees (2010: 4), all of whom were executive directors and none of whom received any remuneration from the Company. No other remuneration was paid by the Company and the Directors receive their remuneration from subsidiary companies. Details of directors' emoluments are given in note 5 to the Group financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31st March 2011

3. SHARE BASED PAYMENT

The Group operates an approved Enterprise Management Incentive Scheme whereby Mr G S Marsh, Mr J M Lavery and Mr J L Macmichael have been granted options to purchase shares in Solid State PLC at a subscription price which was not less than the market value at the time the option was granted. The options in place at 31st March 2011 all have an exercise period of any time after one year from the date of the grant subject to, in the case of Mr G S Marsh and Mr J M Lavery, the Group share price having equalled or exceeded 50p per share at the close of business on 20 consecutive business days and in the case of Mr J L Macmichael Solid State Supplies Limited having achieved a turnover for a financial year of at least four million pounds.

As at 31st March 2011, none of the options had been exercised since the scheme was put into place, but options were exercised by Mr G S Marsh and Mr J M Lavery in May 2011. Details of the current options and further options granted since the statement of financial position date are stated in Note 5.

The share-based remuneration expenses amounted to £16,188 for the year (2010: £12,546).

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

	2011
Equity settled share based payments	
Option pricing model used	Black Scholes
Weighted average share price at grant date	62p
Exercise price	62p
Standard deviation	51%
Risk free interest rate	1.87%

The standard deviation is based on the statistical analysis of daily share prices over the twelve months prior to the date of the grant.

The market vesting conditions have been factored into the calculation by applying an appropriate discount to the fair value of equivalent share options without the specified vesting conditions.

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

4. INVESTMENTS

Company

	Group undertakings £
Cost	
1st April 2010	2,454,056
Addition	276,406
31st March 2011	2,730,462
Net book value	
31st March 2011	2,730,462
31st March 2010	2,464,056

Subsidiary undertakings

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

	Proportion of voting rights and Ordinary share capital held	Nature of business
Subsidiary undertakings		
Solid State Supplies Limited	100%	Distribution of electronic components
Steatite Limited	100%	Distribution of electronic components and manufacture of electronic equipment
Rugged Systems Limited	100%	Supply of computer products

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

5. DEBTORS

	2011 £	2010 £
Amounts owed by Group undertakings	1,424,712	1,425,091

6. CREDITORS: Amounts falling due within one year

	2011 £	2010 £
Bank overdraft (secured)	16,002	27,426
Amounts owed to Group undertakings	892,413	893,040
Other creditors	2,619	1,822
	911,034	922,288

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

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

The Company has guaranteed bank borrowings of its subsidiary undertakings, Solid State Supplies Limited, Steatite Limited and Rugged Systems Limited. At the year end the liabilities covered by those guarantees amounted to £465,230 (2010: £567,337). The Company accounts for guarantees provided to Group companies as insurance contracts, recognising a liability only to the extent that it is probable the guarantees will be called upon.

7. SHARE CAPITAL

	2011	2010
	£	£
Allotted issued and fully paid		
6,156,511 ordinary shares of 5p each	307,826	307,826

Since the balance sheet date a further 634,920 shares have been issued at 31.5p as a result of the exercise by G S Marsh and J M Lavery of share options.

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

Details of options granted are set out in Note 5 of the Consolidated Accounts. At 31st March 2011 the number of shares covered by option agreements amounted to 694,920 (2010: 634,920). Since the balance sheet date further option over 329,291 have been granted. Details are set out in Note 5 of the Consolidated Accounts.

No options were exercised in the year (2010: nil).

8. RESERVES

	Share premium account	Capital redemption reserve	Profit & loss account
1st April 2010	756,980	4,674	2,141,982
Profit for the year	-	-	262,750
	756,980	4,674	2,404,732
Add: Share based expense	-	-	16,188
	756,980	4,674	2,420,920
Dividend paid	-	-	246,260
31st March 2011	756,980	4,674	2,174,660

The profit for the year comprises a dividend received and the share based expense.

Overheads relating to the audit of the Company and to its listing on the London Stock Exchange are processed in the accounts of Solid State Supplies Limited.

The cumulative amount of goodwill which has been eliminated against reserves at 31st March 2011 is £30,000 (2010: £30,000).

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Solid State PLC will be held at Unit 2, Eastlands Lane, Paddock Wood, Kent TN12 6BU on 8th September 2011 at 11.00am for the following purposes:

ORDINARY RESOLUTIONS

(1) To receive and adopt the accounts for the year ended 31st March 2011, together with the reports of the Directors and auditors thereon. (Resolution 1)

(2) To declare a final dividend of 4p per share. (Resolution 2)

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

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

(5) To reappoint haysmacintyre as auditors of the Company. (Resolution 5)

(6) To authorise the Directors to fix the auditors' remuneration, (Resolution 6)

(7) To pass the following resolution:

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

i) comprising equity securities (as defined by section 560 of the Companies Act 2006) up to an aggregate nominal amount of £113,190.50 (which is 33% of the issued share capital) (such amount to be reduced by the nominal amount of any Relevant Securities allotted under paragraph (ii) below) in connection with an offer by way of a rights issue:

(a) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

(b) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

ii) in any other case, up to an aggregate nominal amount of £67,914.30 (which is 20% of the issued share capital) (such amount to be reduced by the nominal amount of any equity securities allotted under paragraph i) above,

provided that this authority shall, unless renewed, varied or revoked by the Company, expire after a period of 18 months from the passing of this resolution or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

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

SPECIAL RESOLUTIONS

(8) To pass the following resolution:

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

i) did not apply to the allotment; or

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

NOTICE OF ANNUAL GENERAL MEETING (continued)

SPECIAL RESOLUTIONS (continued)

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

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

BY ORDER OF THE BOARD

P Haining FCA
Director
27th July 2011

Registered office:
Unit 2, Eastlands Lane, Paddock Wood, Kent TN12 6BU

NOTES:

1. Proxies

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

2. Documents on Display

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

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