SOLID STATE PLC

Annual Report & Accounts

31st March 2017

www.solidstateplc.com

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DIRECTORS, SECRETARY AND ADVISERS

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Country of Incorporation of Parent Company:	England and Wales
Legal Form:	Public Limited Company
Domicile:	United Kingdom

CHAIRMAN'S STATEMENT

Overview of the year:

The financial year ended 31 March 2017 represents a year of strategic investment to lay the foundations for the future growth of the Group. We made tangible progress in the year by completing our re-organisation plan and progressing our strategic goals through; successfully completing the acquisition and integration of Creasefield Limited; discontinuing the Steatite Electronic Monitoring Systems (SEMS) business unit; appointing two new executive directors; investing in the sales and marketing team; establishing our component sourcing and obsolescence team in our Distribution Division; and completing a significant capital investment programme at our new secure communications facility in Leominster, Herefordshire.

Financial overview

Group revenue from continuing operations of £40.0m was up 8.7% on the prior year £36.8m. The revenue delays we have faced on a number of the antenna projects have more than been offset by the additional batteries revenue from the Creasefield acquisition.

The Group's adjusted gross margin of 30.5% has seen a marginal reduction of 0.6% compared to the 2016 margin of 31.1%. This reduction reflects the impact of the changing mix of sales combined with the additional Creasefield sales, which are typically lower than the average margins for the Manufacturing Division.

Adjusted operating profit from continuing operations of £3.2m has increased £0.1m from £3.1m in 2016. This translates in to fully diluted adjusted earnings per share from continuing operations of 32.0p (2016: 31.3p).

The Group balance sheet shows net assets of £16.6m (2016: £15.8m) and net cash of £0.9m (2016: leverage £3.8m). This balance sheet position puts the Group in a strong position to make further strategic acquisitions and to generate organic growth.

Solid State celebrated its 21st anniversary on AIM in June of this year. It has paid a dividend in each of those years which is a record that the Group is very proud of. Continuing in that vein, the Board is recommending a final dividend of 8p which added to the interim dividend of 4p per share paid on 20 January 2017 gives a total dividend for the year of 12p per share (2016: 12p). Dividends were 2.25 times covered in 2017 based on profit from continuing operations. The final dividend will be paid on 22 September 2017 to shareholders on the register at the close of business on 1 September 2017. The shares will be marked ex-dividend on 31 August 2017.

Following a review of dividend policy and benchmarking against our peer group, in particular with a view to dividend cover, the Board has agreed a new policy whereby it will target a dividend cover between 2.50 – 2.75 times adjusted earnings in future periods.

Senior management and corporate governance

As a Board we were conscious of the need to evolve and develop the knowledge, experience and balance of skills within the executive team, therefore at the beginning of the year, we appointed Matthew Richards as Managing Director of the Manufacturing Division. Matthew brings a wealth of commercial and sales experience with a background in the security and defence sectors. Towards the end of the year Peter James joined the Board as Group Finance Director. Peter spent the last 4 years with IQE plc and prior to this 11 years with PwC. Over his career to date, he has gained a broad base of financial experience both in practice and industry, including transactions, commercial contract negotiations and public company reporting which will bring a fresh and different perspective to our Board.

Our mission and strategy to deliver growth

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

CHAIRMAN'S STATEMENT (continued)

Our strategy to deliver this has three key elements:

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

Strategic milestones achieved in 2016/2017

Notable milestones achieved in 2016/2017 to advance our strategy include:

- The acquisition of Creasefield Limited to achieve critical mass in our batteries business unit and create a centre of excellence for batteries in Crewkerne;
- The investment of circa £1m in our communications business unit to create a facility that has antenna manufacturing and test capability that only a handful of operations in the country can offer;
- The recruitment of industry experts to establish a sourcing and obsolescence team;
- The expansion of the field sales force for the Distribution Division;
- The appointment of two senior Executives on the Board; and
- The closure of our SEMS business unit within the Manufacturing Division.

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

Opportunities and prospects for 2017/2018

The Group is well positioned for growth across well diversified revenue streams.

Applications in harsh environments for new battery chemistries such as lithium sulphur is an example of the exciting opportunities which we are now well placed to service in coming years as a major provider of battery solutions. The acquisition of Creasefield and creation of a centre of excellence for batteries was timely given the resurgence of the Oil & Gas market after a period of contraction.

The expansion of our added value services in our component distribution division, and in particular the formation of our component sourcing and obsolescence team, will bring a brand new source of recurring revenue to the Group.

The additional capacity and improved capability at our new Leominster facility enables us to stay at the forefront of the antenna market where our team's value and technical knowledge is now matched by our manufacturing and testing capabilities. This positions the Group through the communications business unit to build its market share.

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

We made our last acquisition in May 2016 and our target is to make one acquisition per year. With a good pipeline of opportunities across both divisions, our focus moving forward is to develop greater depth in each business unit.

The Board is encouraged by new order intake during the first two months of our new fiscal year, giving the Board confidence that the Group remains on track to deliver in-line with market expectations. The Group open order book at 31 May 2017 stood at a record £20.67m (31 May 2016: £17.84m) up 16% on the prior year, with £14.38m being due for delivery between 1 June 2017 and 31 March 2018. The balance of £6.29m is deliverable beyond 1 April 2018.

CHAIRMAN'S STATEMENT (continued)

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

A B Frere
Chairman

4 July 2017

CHIEF EXECUTIVE'S STRATEGIC REPORT

Introduction to Solid State PLC

The two divisions of the Solid State Group have distinct characteristics in their market places, however they have a common mission, a clear delivery strategy, and consistent business values. Across the Group our depth of understanding and a collaborative approach to client relationships have always promoted an integrated process of product design and supply often resulting in a trusted adviser relationship.

This degree of co-operation is appreciated by our clients and we believe it is of significant commercial value both to us and our customers. The Group will continue to pursue this approach and extend it into new relationships where appropriate.

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

The Group is focused on the supply and support of specialist electronics equipment through its Distribution and Manufacturing Divisions described below.

The Distribution Division is a market leader in delivering innovative, value added, technical solutions for customers seeking specialist electronic components and displays.

The Manufacturing Division is a market leader in the design, development and supply of high specification rugged and industrial computers, tailor made battery packs providing portable power and energy storage solutions, advanced communication systems, antennas and high bandwidth video transmission products.

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

Distribution Division

The Group's Distribution Division, is a focused distributor serving the needs of the electronics original equipment manufacturer community in the UK, principally from its base in Redditch.

The Distribution Division represents a modest number of suppliers who manufacture semiconductors, related electronic components and modules. The Distribution Division seeks to understand these products in depth and to offer outstanding levels of commercial and technical support to its customers.

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

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

During the year the Group invested in the establishment of a component sourcing and obsolescence team. The Distribution Division also offers value added services for customers who require their programmes pre-loaded onto hardware or their products prepared to go direct to the production line. All of these services are carried out in our bespoke electrostatic discharge facility in line with our AS9100 certification, which is an offering many of our competitors are unable to provide.

Our Distribution Division understands the need to provide the highest level of service to its customers and has a clear focus on supporting the electronic design community.

CHIEF EXECUTIVE'S STRATEGIC REPORT (continued)

Manufacturing Division – including Rugged and Industrial Computers, Batteries and Communications business units

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

The Division has consolidated battery production in Crewkerne, Somerset, with resulting efficiencies, allowing the Redditch facility to focus on the delivery of computer and radio products. The Leominster facility, in Herefordshire, houses the antenna design, production and test facilities. The recently commissioned near field antenna test chamber will support in house development in addition to being made available to third parties looking to utilise the state of the art chamber on a chargeable basis. Our environmental chamber and vibration testing capabilities, both already owned by the Group, will be commissioned in FY 2017/18 to provide testing services which can be utilised across the Group.

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

Rugged and Industrial Computer business unit

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

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

The business unit has strong and long standing commercial relationships directly with key suppliers in Asia and the USA. Additional sales resources and sustained digital marketing initiatives are leading to increased demand from diverse markets.

Batteries business unit

The batteries business unit, which provides portable power and energy storage solutions, has seen significant growth following a recovery in the Oil and Gas market sector, where the batteries business unit produces power solutions for pipeline inspection gauges.

The batteries business unit has over 30 years' experience in the supply of batteries into some of the world's most demanding environments. In addition to the Oil and Gas sector, our battery packs are used in a range of sectors including: Military and Security, Aerospace, Environmental and Oceanographic, Medical and Industrial OEM.

We provide battery packs assembly and build, control electronic design, and advanced battery testing. From initial design through qualification and United Nations testing, production, support and disposal at end of life, the business unit is well positioned to respond to an increasing demand for mobile and static power solutions where there is a specific requirement for high reliability, harsh environment and, above all else, safe systems.

Communications business unit

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

CHIEF EXECUTIVE'S STRATEGIC REPORT (continued)

The brand new purpose built 18,000 sq ft facility includes the world class near-field test chamber that will set the business apart from competitors and allow the business unit to remain as the preeminent provider of ultra wideband/high power solutions. Focus is now being given to opportunities for repeat business and scaling the unit for growth with additional sales and engineering resources.

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

Principal risks and uncertainties

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

The Board's role in risk management includes:

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

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

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

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

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

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

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

CHIEF EXECUTIVE'S STRATEGIC REPORT (continued)

Mitigation

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

2. Product / Technology change – (Commercial risk)

Business risk

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

Mitigation

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

3. Supply chain interruption – (Operational risk)

Business risk

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

Mitigation

- Active programme to maintain cross qualified second sources of supply
- Rigorous supplier quality management processes
- Maintain close relationships with key suppliers in order to keep well informed about potential supply issues

4. Retention of key employees – (Operational risk)

Business risk

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

CHIEF EXECUTIVE'S STRATEGIC REPORT (continued)

Mitigation

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

5. Competition risk – (Commercial risk)

Business risk

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

Mitigation

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

6. Financial liquidity – (Financial risk)

Business risk

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

Mitigation

- The Group prepares financial forecasts to evaluate the level of funding required for the foreseeable future. These forecasts are reviewed and approved by the Board
- Based on these forecasts appropriate funding and liquidity solutions are put in place to ensure that adequate headroom is maintained
- At the year-end 31 March 2017, the Group had an undrawn overdraft facility of £2.0m and the Group had net cash of £0.9m
- Operate and adhere to a clearly defined delegation of authority matrix and contract review / contract risk register

CHIEF EXECUTIVE'S STRATEGIC REPORT (continued)

7. Legislative environment and compliance – (Strategic risk)

Business risk

- Brexit negotiations causing an increased level of uncertainty in the legislative and trading environment in which we operate
- Failure to comply with applicable legislation, to include but not limited to:
  - Export Control
  - International Traffic In Arms (ITAR)
  - Bribery Act
  - Employment legislation and company legislation

Mitigation

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

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

Business Risk

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

Mitigation
The Group:

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

9. Natural Disasters – (Operational risk)

Business risk

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

Mitigation

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

CHIEF EXECUTIVE'S STRATEGIC REPORT (continued)

Divisional Business review

Distribution Division

The financial year ended 31 March 2017 saw an improvement in several key metrics for the Distribution Division. Stock turns of 5.15 against an industry average of 2.6 (Source ECSN-March 2017) giving rise to consequent benefits in working capital requirements.

The Distribution Division's company's "book to bill" ratio returned to greater than 1 at the year-end with significant further improvements being seen in the book to bill ratio during April 2017. This is a further demonstration of improving order intake and prospects for the division.

The Distribution Division saw billings of £16.5m consistent with 2015/16. Efforts to improve the margins on material were successful, showing an improvement of more than 1 percentage point despite downward pressure caused by the falling Pound vs the USD.

With investment in human resource designed to accelerate growth in FY2017/18 overall profit before tax was broadly flat. During 2016/17 the division recruited experts in the area of sourcing and obsolescence to form the Solid State SOS (sourcing and obsolescence services) business unit. This provides a new revenue stream for the division and Group, both through obsolescent component sales and through ongoing long term secure storage recurring revenues. To support this activity the division successfully extended its AS9120 accreditation to include the Rochester facility and counterfeit avoidance processes.

The division also invested heavily in its technical field sales team increasing the field based resource by approximately 25% to give greater account coverage, improved service and to take advantage of the cross-selling opportunities within the Group, particularly with regard to battery packs following the Group's acquisition of Creasefield.

The outlook for the financial year ending 31 March 2018 is strong with the Electronic Component Supply Network (ECSN) reporting that early indications suggest that the upper limit of the industry wide growth forecast of 4.3% may be understated. Our Distribution Division is now well positioned to exceed this industry wide forecast and has seen a strong start to the first quarter with record order intake across the first two months.

Manufacturing division – including Rugged and Industrial Computers, Batteries and Communications business units

Manufacturing saw billings from continuing operations increase by 16.3% from £20.2m to £23.5m. The Creasefield acquisition added £4.2m of revenue which more than mitigated for delays in a number of antenna contracts seen in our communications business. The discontinued SEMS business unit contributed £7.3m of revenue in the prior year which has not recurred as a result of the termination of this business unit.

Further details of the financial performance are set out in the financial review on page 14 to 17.

Rugged and Industrial Computers business unit

The computer business unit has also geared up with additional sales resource in the second half of 2016, responding to increased demand as a result of directed marketing efforts including advanced use of Search Engine Optimisation (SEO) and Google Adwords. Key supplier relationships remain in place with the addition of the co-operation with ADLINK, a technology-leading provider of computer platforms for high end applications.

CHIEF EXECUTIVE'S STRATEGIC REPORT (continued)

Batteries business unit

The Creasefield battery business based in Crewkerne, Somerset, was acquired on 31 May 2016, complementing the existing battery business unit.

This has resulted in an extension of market reach, with a customer base extending beyond the Oil and Gas sector to include Medical, Aerospace, Utilities and Defence/Security sectors.

The Crewkerne facility has brought increased capacity, technical resources and long standing supplier relationships. In addition it has brought exposure to new battery chemistries (NiMH/NiCd, Alkaline & Lead Acid) and charging technologies, significantly adding to the capacity and capability of our batteries business unit and putting us at the forefront of battery power storage solutions.

As part of the acquisition integration plan we transferred our battery business unit in Redditch into the Crewkerne facility, incurring £0.2m of one off non-recurring costs. This year the acquisition added £4.2m to Group revenue and £0.02m to net profit. Margins at Creasefield are typically lower than the other business units of the Manufacturing Division albeit this is an area of focus for improvement.

2016/2017 saw a demonstrable recovery of the Oil and Gas sector with strong battery bookings from customers in this sector in the final quarter. The recovery appears to be driven by the recovery of oil prices since the beginning of 2016 and the associated oil exploration. Strong orders were received in the latter part of 2016 as prime contractors rebuilt stock levels.

Communications business unit

The antenna manufacturing was relocated to a world class purpose built facility in Leominster, Herefordshire, in January 2017, after a capital investment of circa £1m. The major investment within this business unit has been in a state of the art nearfield antenna test chamber, which has been commissioned and put into service. The new facility is able to design, manufacture and test complex systems and is large enough to accommodate antennas with a dish diameter of up to 3 meters. This investment enables the Group to remain at the cutting edge of antenna design, manufacture and testing. In addition, environmental testing facilities have been relocated to the site and will be commissioned in 2017, alongside vibration testing facilities for use across the Group.

Investment has continued with the addition of technical and commercial staff. The business unit is resourced and poised for growth. Particular emphasis has been paid to opportunities for repeat business and medium volume production.

Steatite has won the Persistent Systems franchise for distribution of the secure wave relay mesh network mobile, providing HD video and voice in the most severe environments. Steatite is the only UK authorised supplier of the product and has secured contracts to supply radio systems to the Ministry of Defence (MOD) both directly and via prime contractors. An important export order for the mesh radio solution was secured in the Asia Pacific region with strong potential for additional systems.

A long standing relationship with the provider of an advanced satellite communications system has secured on-going business with the MOD for maritime applications both surface and underwater.

Discontinued operations

On commercial grounds the Group made the decision to close the self-funded Steatite Electronic Monitoring Systems (SEMS) business unit in the latter part of the year, allowing the Manufacturing Division to focus on its core activities.

Following the termination of the MOJ contract, the Board had decided it was appropriate to explore if the Group could commercialise the intellectual property the Group had developed as part of the MOJ contract. During 2016 we continued to explore if the Group could successfully commercialise the SEMS solution however, at the end of the 2016/17 financial year, the Board took the decision that returns would not be sufficient to warrant continued investment and development in the SEMS market.

The details of the discontinued operations are set out in note 29.

CHIEF EXECUTIVE'S STRATEGIC REPORT (continued)

Financial Review

In order to provide a fuller understanding of the Group's on-going underlying performance, we have included a number of adjusted profit measures as supplementary information. As detailed in note 30, the adjusted measures eliminate the impact of certain non-cash charges and non-recurring items.

Revenues

Group revenues from continuing operations of £40.0m were up 8.7% on the prior year (£36.8m).

The Distribution Division reported stable revenue of £16.5m (2016: £16.6m).

Revenue from continuing operations in the Manufacturing Division of £23.5m was up 16.3% on prior year of £20.2m.

Excluding revenues from Creasefield, like for like manufacturing revenues from continuing operations of £19.4m were £0.8m lower than prior year at £20.2m. The shortfall primarily reflects reported delays in a number of antenna contracts in our communications business unit.

Following the Creasefield acquisition, the Manufacturing Division has substantially completed the consolidation of its batteries business into the Crewkerne facility. Creasefield contributed revenue of £4.2m in the ten months post acquisition.

As a result of the acquisition and re-organisation of our Manufacturing Division we have incurred one off costs of £0.2m which have been presented in our adjusted performance metrics.

There were no revenues in the current year from the discontinued operations, however in the prior year they contributed revenues of £7.3m. The discontinued operations resulted in a loss of £0.4m in the current year compared to a profit of £1.9m in the prior year.

Adjusted gross profit margin percentage

Adjusted gross margin from continuing operations of 30.5% has seen a reduction of 0.6% compared to the 2016 margin of 31.1%.

The reduction reflects the impact of the changing mix of sales with the additional inclusion of Creasefield sales which are typically at lower than the average margin for the Manufacturing Division. Higher margin areas which include obsolescence sourcing and antennas are expected to enhance Group margins going forward as these product areas develop.

Distribution gross margins have been maintained at 26.1% (2016: 26.1%) in the face of margin pressure and adverse foreign exchange. This reflects continued investment and development of our added value service to mitigate this margin pressure.

Adjusted manufacturing gross margins of 33.5% (2016: 35.3%) have reduced as a result of the acquisition of Creasefield which delivered a margin of 23.6%. Like for like adjusted continuing manufacturing gross margins in the year of 35.7% reflect a small improvement compared to 35.3% in 2016.

Group reported gross margin from continuing operations at 30.1% was down 1.0% on the comparative period of 31.1%.

CHIEF EXECUTIVE'S STRATEGIC REPORT (continued)

Adjusted sales and general administration expenses

Adjusted sales and general administration expenses from continuing operations of £9.0m have increased by £0.6m from £8.4m in 2016. This increase primarily reflects the additional overhead from Creasefield of £0.8m.

Commencing in the fourth quarter of the year, the Distribution Division started investing in additional sales resources in order to deliver the targeted organic growth in 2017/18. This expenditure has an annualised cost of ~£0.25m which for the reported year has resulted in the Distribution Division's adjusted sales and general administration expenses increasing from £3.15m to £3.2m.

The Manufacturing Division's adjusted sales and general administration expenses have increased to £5.0m from £4.5m. This reflects an increase of £0.8m as a result of the Creasefield acquisition which is offset in part by small like for like reduction of £0.3m.

Adjusted Head Office sales and general administration costs have remained broadly flat at £0.8m.

Reported sales and general administration costs from continuing operations of £9.3m were £0.5m higher than 2016 at £8.8m.

Within sales, general and administrative expenses adjusted depreciation and amortisation from continuing operations has increased to £0.6m from £0.4m primarily as a result of additional amortisation of capitalised R&D of £0.1m.

Reported depreciation and amortisation from continuing operations in the year was £0.8m which is up £0.2m from £0.6m in 2016.

There were impairments of £0.6m charged in the prior year associated with the discontinued operations.

Adjusted operating profit

Adjusted operating profit from continuing operations of £3.2m has increased £0.1m from £3.1m in 2016.

Reported operating profit from continuing operations is flat at £2.7m in both years.

The adjustments to operating profit are set out in further detail in note 30.

EPS

Adjusted fully diluted earnings per share from continuing operations in the year ended 31 March 2017 have increased to 32.0p from 31.3p in the year ended 31 March 2016.

Reported fully diluted earnings per share from continuing operations have remained flat at 27.2p.

Cash inflow from operations

Cash inflow from continuing operations in 2017 of £5.8m is up from £3.5m in 2016 primarily due to a cash inflow of circa £2.4m from working capital with underlying cash profit from operations being stable at circa £3.5m.

Cash flow from discontinued operations in the year was a £3.3m inflow compared to a £1.7m outflow in the prior year.

CHIEF EXECUTIVE'S STRATEGIC REPORT (continued)

Capital investment

During the year the Group invested £1.5m (2016: £0.6m) in property plant and equipment and £0.4m (2016: £0.05m) in software and research and development intangibles.

There have been two significant one off investments in the year relating to the new facility in Leominster and the expansion of the office and meeting room space in our Redditch facility.

Investment in subsidiaries

During 2016/17 the Group invested £1.9m, which included the final deferred consideration payment for Ginsbury Electronics Limited of £0.3m and £1.6m in acquiring Creasefield Limited. In the prior year we invested £1.8m being the initial consideration for the acquisition of Ginsbury Electronics Limited which in aggregate amounted to £2.1m.

KPIs

In addition to the information provided in the Chairman's Report and this Strategic Report, the Directors use a number of key performance indicators to manage the business, disclosed in the financial review on page 14 and 15. Non-financial KPIs are not disclosed.

KPI	2017	2016
Sales from continuing operations	£40.0m	£36.8m
Adjusted operating profit from continuing operations	£3.2m	£3.1m
Adjusted profit before taxation from continuing operations	£3.1m	£2.9m
Adjusted diluted EPS from continuing operations	32.0p	31.3p
Cash flow from continuing operating activities	£5.8m	£3.5m
Net cash/(leverage)	£0.9m	(£3.8m)
Open order book @ 31 May 2017	£20.7m	£17.8m

Outlook

The Group finished the year in a strategically stronger position, having focussed investment on the areas that will deliver the future strategic goals of profitable organic and acquisitive growth. As reported, this involved closing the SEMS operation which was not going to meet the required return on investment, completion of the acquisition of Creasefield and establishment of the component sourcing and obsolescence management team. The Creasefield acquisition added production capacity, technical capability and scale to our batteries business unit at an opportune time given the resurgence in the Oil & Gas market. Additionally, the Group has made significant investment in the management, sales and operational teams to position it to deliver the future growth in 2017/18 in-line with expectations. We believe that the Group with its diversified structure, increasing export sales, new opportunities with battery chemistries, additional antenna capability and capacity, and higher margin products, is now well placed to deliver organic growth.

The Group is focused on its core markets of "value added distribution of electronic components and displays" and "manufacturing of electronics technology" delivering rugged high quality products and services across our wide range of target sectors.

In these markets, we are well placed to add value at every opportunity, from enquiry to order fulfilment; consistently meeting customer and partner expectations which is at the core of maintaining our margins in a highly competitive market place. Through delivering on our strategy over the next five years, we are striving to double the size of the business through a combination of organic growth and strategic acquisition. Our record open order book, book to bill ratio and 1st quarter order intake act as very strong leading edge indicators and give the Board confidence in the prospects for 2017/2018.

CHIEF EXECUTIVE'S STRATEGIC REPORT (continued)

Cautionary statement

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

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

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

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

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

The strategic report on pages 6 to 17 has been approved by the Board of Directors and signed on its behalf by:

G S Marsh
Chief Executive Officer
4 July 2017

CORPORATE AND SOCIAL RESPONSIBILITY REPORT

Code of business conduct, ethics and anti-corruption

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

The policy also deals with how employees, business partners and agents can report any concerns that may arise.
The policy actively promotes corporate social responsibility across our Group. It addresses how we work with a wide range of third party organisations in areas such as ethical employment policies, educational and community work.

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

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

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

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

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

Commercial business practices

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

In our dealings with customers

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

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

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

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

CORPORATE AND SOCIAL RESPONSIBILITY REPORT
(continued)

In our dealings with suppliers

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

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

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

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

In our relationships with employees and other stakeholders

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

Encouraging volunteer work in community activities;

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

Confidentiality

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

Maintaining confidentiality is a critical part of our culture. Our policy and practices help to ensure that all staff understand what constitutes confidential information and restricts internal access to an on a need to know basis. Information relating to third parties is not disclosed without the third parties' written consent.

Bribery Act

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

Human rights

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

Modern slavery

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

CORPORATE AND SOCIAL RESPONSIBILITY REPORT (continued)

How we invest in our people and our communities

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

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

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

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

Health and Safety

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

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

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

G S Marsh
Chief Executive Officer

4 July 2017

CORPORATE GOVERNANCE REPORT

Statement of compliance against the UK Corporate Governance Guidance

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

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

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

This statement describes how the Group is applying the relevant principles of governance, as set out in the Code which is available on the website of the Financial Reporting Council (FRC) while acknowledging we are not required to comply and do not comply with every aspect of the Code.

Throughout the year ended 31 March 2017, the Group has continued to apply the principles of the Code and adopt the spirit of the Code. The Board considers that throughout 2016/17, Solid State PLC has sought to comply with the "Main Principles" and "Supporting Principles" of the Code, however as a smaller AIM listed company it has not complied with all of the detailed provisions within the Code.

How the corporate governance principles are adopted at Solid State PLC

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

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

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

This process was in place throughout the 2017 financial year and accords with the Revised Guidance for Directors on Risk Management, Internal Control and Related Financial & Business Reporting (formerly called the Turnbull Guidance).

CORPORATE GOVERNANCE REPORT (continued)

The Board

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

During the year Mr M T Nutter resigned on 29 June 2016, with Mr P O James appointed as his replacement on 20 February 2017. In the intervening period, Mr P Haining took responsibility for the finance function on an interim basis as he had previously held the role of Group Finance Director.

The Board considers only Mr A B Frere, who has held office for less than nine years and not held an executive post, to be independent in accordance with the Code, and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

As such, the Company has chosen not to appoint a senior independent director in accordance with the Code. However, the Board feels that the value, the knowledge, and the experience of the industry and business held by Mr P Haining and Mr J M Lavery far out-weighs the potential loss of independence.

The Board is mindful of the threat to independence and actively manages the potential risk to ensure that the non-executives provide the independent constructive challenge to help develop the Board's proposals on strategy.

The terms and conditions of appointment of the Non-Executive Directors are available for inspection upon request to the Company Secretary.

Rules concerning the appointment and replacement of Directors of the Company are contained in the Articles of Association ("Articles"). Amendments to the Articles must be approved by a special resolution of shareholders.

Under the Articles, all Directors are subject to election by shareholders at the first Annual General Meeting following their appointment, and to re-election thereafter at intervals of no more than three years.

The Board has considered the FRC's guidance to companies outside the FTSE 350 to consider the annual re-election of all Directors, and consider that this would be overly burdensome for the current nature of the Group.

Biographies of the Directors are set out on page 30. These show the range of business and financial experience upon which the Board is able to call.

The Board's goal is to ensure that its membership should be balanced between executives and non-executives and have the appropriate skills and experience and knowledge of the business.

The Board recognises the special position and role of the Chairman under the Code, and has approved the formal division of responsibilities between the Chairman and Chief Executive.

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

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

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

CORPORATE GOVERNANCE REPORT (continued)

How the Board operates

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

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

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

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

Examples of such items include but are not limited to:

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

Committees of the Board

Executive Committee

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

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

Audit Committee

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

The Chairman of the Audit Committee is not deemed independent by virtue of his length of service and that he has previously held an executive position. However, given the appointment of a new executive Group Finance Director during the year, the Board feels that it is appropriate to retain the financial experience and knowledge of the business possessed by Mr P Haining in his role as Chairman of the Audit Committee.

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

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

CORPORATE GOVERNANCE REPORT (continued)

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

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

Remuneration Committee

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

While the Corporate Governance code suggests the Chairman of the Group should not also be Chairman of the Remuneration Committee, as Mr A B Frere is currently the only independent Director, it is felt that it is appropriate that as the independent Director Mr A B Frere chairs this committee.

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

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

The purpose of the committee is to review the performance of the full time executive Directors and to set the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of the shareholders. In fulfilling this responsibility, the Remuneration Committee is responsible for setting salaries, incentives and other benefit arrangements of executive Directors and overseeing the Group's employee share schemes.

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

Attendance at meetings

	Board	Audit Committee	Remuneration Committee
Number of meetings in 2016/17	11	2	2
Attendance			
Executive			
Mr G S Marsh	11	n/a	1
Mr J L Macmichael	11	n/a	n/a
Mr M T Richards	11	n/a	n/a
Mr M T Nutter*	3	1	n/a
Mr P O James**	2	1	1
Non-executive			
Mr A B Frere	11	2	2
Mr P Haining	11	2	2
Mr J M Lavery	9	2	1

* Mr M T Nutter resigned on 29 June 2016

** Mr P O James was appointed on 20 February 2017

CORPORATE GOVERNANCE REPORT (continued)

Board performance evaluation

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

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

However, following the changes to the Board during 2016/17 with the appointment of two new executive Directors during the year and one Non-Executive Director who previously held an executive role, a further review is scheduled for the second half of 2017. This review will re-evaluate all aspects of the Board's performance, including but not limited to Board balance, Board skills and remuneration, to ensure that the Board structure is fit for purpose and is appropriate for the next phase of the Group's development and growth.

Shareholder relations

The Board regards regular communications with shareholders as one of its key responsibilities. During 2016/17, the Chief Executive Officer and Group Finance Director met with institutional investors on a regular basis to discuss the Group's performance, the shareholder's views, and to ensure that the strategies and objectives of the Group are well understood.

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

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

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

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

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

CORPORATE GOVERNANCE REPORT (continued)

Audit and Accountability

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

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

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

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

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

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

Internal Control

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

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

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

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

CORPORATE GOVERNANCE REPORT (continued)

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

Risk Management

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

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

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

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

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

Going Concern

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

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

Long term viability statement

The Directors have considered the viability of the Group over a three year period to March 2020, taking account of the Group's current position and the potential impact of the principal risks and uncertainties documented in the Strategic Report.

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

The Directors have determined that the three-year period to March 2020 is an appropriate period over which to provide its viability statement. In making their assessment, the Directors have taken account of the Group's current funding headroom (see note 17), its ability to raise new finance in most market conditions and other potential mitigating actions.

Based on this assessment, the Directors have a reasonable expectation that the Group and Company will be able to continue in operation and meet its liabilities as they fall due over the period to March 2020.

G S Marsh
Chief Executive Officer
4 July 2017

DIRECTORS' REPORT
For the year ended 31 March 2017

The Directors submit their report together with the audited financial statements of the Group in respect of the year ended 31 March 2017.

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 set out in the KPI section of the strategic report on page 16.

An overall review of the Group's trading performance and future developments is given in the Chairman's Statement and Strategic Report. Other than as reported in the corporate and social responsibility section of this report the Group does not comment on environmental matters.

Directors
The Directors of the Company during the year were:
A B Frere
G S Marsh
J L Macmichael
J M Lavery
P Haining, FCA
M T Richards (Appointed 18 April 2016)
P O James (Appointed 20 February 2017)
M T Nutter (Resigned 29 June 2016)

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

Corporate Governance
The Board confirms that the Group has had regard, throughout the accounting period, with the provisions set out in the UK Corporate Governance Code which was issued by the Financial Reporting Council in September 2014.

Whilst not required to do so, as a matter of best practice, the Directors have voluntarily endeavoured to comply with those provisions which they consider to be relevant to a company of this size.

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

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

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

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

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

Purchase of Own Shares
At the year end the Company had in place authority to purchase up to 15% of the issued ordinary shares under authority given by a resolution at the Annual General Meeting on 13 September 2016. This authority expires on 13 March 2018.

DIRECTORS' REPORT
For the year ended 31st March 2017 (continued)

Research and Development
During the year the Group has continued to invest in research and development in partnership with some of its customers to develop technical electronic solutions to address the demand of our customers in its core markets of Electronic communications, Mobile Battery Power and Rugged and industrial computing. During the year we invested in excess of £1.2m (2016 in excess of £4.5m) in research and development. The level of R&D spend has fallen in the year as a result of the termination of the SEMS business unit. The Company will continue to claim R&D tax credits where we are eligible.

Post Balance Sheet Event
On 1 June 2017 the company granted options to the executive directors (who currently have no outstanding options) under the Company's Long Term Incentivisation Plan, as detailed in note 31.

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

DIRECTORS' REPORT

For the year ended 31st March 2017 (continued)

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

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

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

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

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

John Lavery, (dob May 1961), Non-Executive Director
John Lavery is an apprenticed trained engineer in Electronics Communications. He moved into Sales in the 1980's with Steatite before being appointed to The Board of Directors at the age of 28. He has held positions of Director of Sales and Marketing after a year's training with the Institute of Directors for Corporate Governance, before being appointed Managing Director of Steatite in 1999. Following the appointment of Matthew Richards with effect from 31 July 2016, John Lavery became a non-executive director of the Group.

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

DIRECTORS' REPORT

For the year ended 31st March 2017 (continued)

Statement of Directors' Responsibilities

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. In addition, the Directors are responsible the maintenance and integrity of the corporate and financial information included in the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

DIRECTORS' REPORT
For the year ended 31st March 2017 (continued)

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

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

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

Resolutions are also being proposed at the Annual General Meeting with regard to the issue of further shares. One resolution will authorise the company to issue new shares up to a third of the current issued share capital by way of a rights issue and the second resolution will authorise the company to issue new shares up to 10% of the current issued share capital without rights of pre-emption for existing shareholders, and to the extent that new shares are issued under the second resolution the limit on the first resolution will be reduced such that the total number of new shares issued cannot exceed one third of the current share capital.

Your Directors consider that the resolutions to be proposed at the meeting are in the best interests of the Company and its shareholders. They unanimously recommend that all Ordinary shareholders vote in favour of the resolution at the Annual General Meeting as they intend to do in respect of their beneficial holdings.

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

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

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

By order of the Board

P Haining FCA
Secretary
4 July 2017

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

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

We have audited the financial statements of Solid State PLC for the year ended 31 March 2017 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 including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 31, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2017 and the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements and such reports have been prepared in accordance with applicable legal requirements.

In light of our knowledge and understanding of the Group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' report.

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.

George Crowther *(Senior Statutory Auditor)*
for and on behalf of haysmacintyre, Statutory Auditor
26 Red Lion Square, London, WC1R 4AG
Date: 4 July 2017

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

Notes

1. The maintenance and integrity of the Group's website is the responsibility of the directors, the work carried out by the auditors does not involve consideration of those matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Continuing Operations			
Revenue	2	40,021	36,807
Cost of sales		(27,994)	(25,348)
GROSS PROFIT		12,027	11,459
Sales, general and administration expenses		(9,291)	(8,758)
PROFIT FROM OPERATIONS	3	2,736	2,701
Finance costs	6	(42)	(112)
PROFIT BEFORE TAXATION		2,694	2,589
Tax expense	7	(405)	(286)
ADJUSTED PROFIT AFTER TAXATION		2,693	2,656
Adjustments to profit	30	(404)	(353)
PROFIT AFTER TAXATION		2,289	2,303
(LOSS)/PROFIT FROM DISCONTINUED OPERATIONS	29	(438)	1,865
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		1,851	4,168
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,851	4,168
EARNINGS PER SHARE			
Basic EPS from continuing operations		27.2p	27.6p
Basic EPS from discontinued operations		(5.2p)	22.3p
Basic EPS from profit for the year	8	22.0p	49.9p
Diluted EPS from continuing operations		27.2p	27.2p
Diluted EPS from discontinued operations		(5.2p)	22.0p
Diluted EPS from profit for the year	8	22.0p	49.2p

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

The notes on pages 40 to 69 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2017

	Share Capital £'000	Share Premium Reserve £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Shares held in Treasury £'000	Total Equity £'000
Balance at 31 March 2015	**417**	**3,629**	**5**	**8,654**	**(313)**	**12,392**
Total comprehensive income For the year ended 31 March 2016	-	-	-	4,168	-	4,168
Issue of new shares	4	-	-	-	-	4
Share based payment expense	-	-	-	174	-	174
Dividends	-	-	-	(1,005)	-	(1,005)
Transfer of shares to All Employee Share Ownership Plan	-	-	-	-	32	32
Balance at 31 March 2016	**421**	**3,629**	**5**	**11,991**	**(281)**	**15,765**
Balance at 31 March 2016	**421**	**3,629**	**5**	**11,991**	**(281)**	**15,765**
Total comprehensive income For the year ended 31 March 2017	-	-	-	1,851	-	1,851
Issue of new shares	4	-	-	-	-	4
Dividends	-	-	-	(1,016)	-	(1,016)
Transfer of shares to All Employee Share Ownership Plan	-	-	-	-	38	38
Balance at 31 March 2017	**425**	**3,629**	**5**	**12,826**	**(243)**	**16,642**

The notes on pages 40 to 69 form part of these financial statements.

Company Number: 00771335

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 March 2017

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	10		2,406		1,366
Intangible assets	11		6,224		5,283
TOTAL NON-CURRENT ASSETS			8,630		6,649
CURRENT ASSETS					
Inventories	14	5,577		5,534	
Trade and other receivables	15	8,085		13,465	
Corporation tax receivable		-		-	
Cash and cash equivalents		909		994	
TOTAL CURRENT ASSETS			14,571		19,993
TOTAL ASSETS			23,201		26,642
LIABILITIES					
CURRENT LIABILITIES					
Bank overdraft	17	-		4,398	
Trade and other payables	16	5,908		6,024	
Corporation tax liabilities		324		165	
TOTAL CURRENT LIABILITIES			6,232		10,587
NON CURRENT LIABILITIES					
Trade and other payables	18	-		5	
Deferred tax liability	20	327		285	
TOTAL NON-CURRENT LIABILITIES			327		290
TOTAL LIABILITIES			6,559		10,877
TOTAL NET ASSETS			16,642		15,765
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
Share capital	21		425		421
Share premium reserve	22		3,629		3,629
Capital redemption reserve	22		5		5
Retained earnings	22		12,826		11,991
Shares held in treasury	23		(243)		(281)
TOTAL EQUITY			16,642		15,765

The financial statements were approved by the Board of Directors and authorised for issue on 4 July 2017 and were signed on its behalf by:

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

The notes on pages 40 to 69 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017		2016	
	£'000	**£'000**	**£'000**	**£'000**
OPERATING ACTIVITIES				
Profit before taxation including discontinued operations		2,155		4,196
Adjustments for:				
Depreciation		447		406
Amortisation		387		225
Impairments		-		618
(Profit)/loss on disposal of property, plant and equipment		(17)		2
Loss on disposal of intangible fixed assets		28		-
Share based payment expense		-		174
Finance costs		42		112
Other		38		32
Profit from operations before changes in working capital and provisions		3,080		5,765
Decrease in inventories	626		162	
Decrease/(increase) in trade and other receivables	6,179		(3,663)	
Decrease in trade and other payables	(548)		(468)	
		6,257		(3,969)
Cash generated from operations		9,337		1,796
Income taxes paid	(185)		(102)	
Income taxes recovered	-		128	
		(185)		26
Cash flow from operating activities		9,152		1,822
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(1,477)		(900)	
Purchase of intangible assets	(426)		(36)	
Proceeds of sales from property, plant and equipment	183		55	
Consideration paid on acquisition of subsidiaries	(1,941)		(1,761)	
(Overdraft)/cash with subsidiaries over which control has been obtained	(114)		977	
		(3,775)		(1,665)
		5,377		157
FINANCING ACTIVITIES				
Issue of ordinary shares	4		5	
Interest paid	(42)		(112)	
Dividend paid to equity shareholders	(1,026)		(991)	
		(1,064)		(1,098)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,313		(941)

The notes on pages 40 to 69 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2017 (continued)

Cash and cash equivalents comprise:

	2017 £'000	2016 £'000
Net increase/(decrease) in cash and cash equivalents	4,313	(941)
Cash and cash equivalents at beginning of year	(3,404)	(2,463)
Cash and cash equivalents at end of year	909	(3,404)

There were no significant non-cash transactions.

	2017 £'000	2016 £'000
Cash available on demand	909	994
Overdrafts	-	(4,398)
	909	(3,404)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS

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

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

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

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

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

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.

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

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Intangible Assets

a) Goodwill

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

b) Development costs

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

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

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

All research and other development costs are expensed as incurred.

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

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

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

c) Software

Externally acquired software assets are initially recognised at cost and subsequently amortised on a straight line basis over their useful economic lives. Cost includes all directly attributable costs of acquisition. In addition directly attributable costs incurred in the development of bespoke software for the Group's own use are capitalised.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

d) Other intangibles

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

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

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

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.

In the case of mobilisation contracts with defined milestones, revenue and related costs are recognised once the attainment of a particular milestone has been agreed with the customer. Retentions which are contingent on future events are only recognised when the customer has agreed that those future criteria have been met and the retention is thus payable.

Compensation payments are recognised as revenue in the period that any related activities are completed, the amount can be measured reliably and it is probable that future economic benefit will be realised.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017 (continued)

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Financial assets

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

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

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

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

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the 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.

Treasury Shares

Shares in Solid State PLC purchased for holding in treasury are held at cost as a separate negative reserve in the capital section of the consolidated statement of financial position. Any dividends payable in relation to these shares are cancelled.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

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

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the 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 1 April 2017 or later periods and which the Group has decided not to adopt early are listed below. This listing is of standards, amendments and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they come effective.

Amendments to IFRS 2 Share-based Payment (effective for accounting periods beginning on or after 1 January 2018)

IFRS 9 Financial Instruments (effective for accounting periods beginning or after 1 January 2018).

IFRS 12 Disclosure of Interests in Other Entities (effective for accounting periods beginning on or after 1 January 2017)

IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018)

IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019)

Amendments to IAS 7 Statement of Cash Flows (effective for accounting periods beginning on or after 1 January 2017)

Amendments to IAS 12 Income Taxes (effective for accounting periods beginning on or after 1 January 2017)

None of the new standards or interpretations endorsed by the EU during the year have had a material impact on the financial results or presentation in 2017.

Of the standards and interpretations in issue but not yet effective only IFRS 16 is expected to have any potentially material impact on the results and financial position of the Group.

IFRS 16 is expected to be effective from 1 January 2019 and in its current form requires all leases to be reflected on-balance sheet. The potential impact of IFRS 16 on the Group is being assessed.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

2. REVENUE

Revenue arises from sale of goods and compensation.

Revenue analysed geographically between markets was as follows:

	2017 **£'000**	**2016** **£'000**
United Kingdom	32,199	30,277
Rest of Europe	5,061	3,267
Asia	1,511	845
North America	900	2,243
Rest of World	350	172
Total continuing revenue	**40,021**	**36,807**
Total discontinued revenue (United Kingdom)	-	7,293
Total revenue	**40,021**	**44,100**

3. PROFIT FROM OPERATIONS

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

	2017 **£'000**	**2016** **£'000**
Continuing charges /(credits)		
Staff costs (see note 4)	7,243	4,225
Depreciation of property, plant and equipment	447	406
Amortisation of intangible assets	387	225
(Profit)/loss on disposal of property, plant and equipment	(17)	2
Loss on disposal of intangible assets	28	-
Auditors' remuneration:		
Audit fees	4	4
Audit of accounts of associates of the company pursuant to legislation	57	58
Non audit fees: taxation advisory services	1	1
:other advisory services	-	2
Operating lease rentals:		
Plant and machinery	27	43
Other	333	289
Research and development costs (includes relevant staff costs)	704	532
Foreign exchange differences	(125)	(58)
Stock write downs	597	338
Discontinued charges/(credits)		
Staff costs (see note 4)	269	1,882
Employment termination costs (included in staff costs)	48	103
Impairment of property, plant and equipment	-	87
Write down of intangible assets	-	531
Research and development costs (includes relevant staff costs)	502	3,755

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

4. STAFF COSTS

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

	2017 £'000	2016 £'000
Wages and salaries	6,488	5,184
Social security costs	694	542
Other pension costs	330	381
	7,512	6,107

Wages and salaries include termination costs of £48k (2016: £103k)

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

	2017 Number	2016 Number
Selling and distribution	98	98
Manufacturing	90	42
Management and administration	28	21
	216	161

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (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 £'000	Benefits in kind £'000	Total emoluments £'000	Pension contributions £'000	Total £'000
31 March 2017					
G S Marsh	163	38	201	5	206
P O James (appointed 20 February 2017)	11	3	14	-	14
J L Macmichael	140	22	162	2	164
M T Richards (appointed 18 April 2016)	134	20	154	2	156
A B Frere	12	-	12	-	12
P Haining	12	-	12	-	12
J M Lavery	43	14	57	-	57
M T Nutter (from 05 January 2016, resigned 29 June 2016)	42	4	46	-	46
Total	**557**	**101**	**658**	**9**	**667**
31 March 2016					
G S Marsh	164	36	200	9	209
J M Lavery	134	32	166	24	190
J L Macmichael	133	21	154	9	163
P Haining	48	-	48	-	48
A B Frere	12	-	12	-	12
M T Nutter (from 05 January 2016, resigned 29 June 2016)	24	2	26	4	30
Total	**515**	**91**	**606**	**46**	**652**

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

In addition to the above, fees totalling £84k (2016: £53k) arose during the year in respect of accountancy services provided by The Kings Mill Practice, a firm of which Mr P Haining is the proprietor. A balance of £9k (2016: £nil) was due to The Kings Mill Practice at 31 March 2017.

In addition to the above, fees totalling £52k (2016: £50k) arose during the year in respect of the services of Mr A B Frere provided by Condev Limited. A balance of £5k (2016: £5k) was due to Condev Limited at 31 March 2017.

In addition to the above, fees totalling £9k (2016: £nil) arose during the year in respect of the services of Mr J M Lavery provided by John Lavery Consulting Limited. A balance of £1k (2016: £nil) was due to John Lavery Consulting Limited at 31 March 2017.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

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

The Directors of the Company on 4 July 2017 and at the statement of financial position date, and their interest in the issued ordinary share capital of the Company at that date, at 31 March 2017 and 31 March 2016 or date of appointment if later, were as follows:

	04.07.17	**31.03.17**	**31.03.16**
G S Marsh	481,886	481,886	450,071
J M Lavery	118,273	118,273	96,458
P Haining	52,501	52,501	52,500
J L Macmichael	120,222	120,222	108,700
A B Frere	8,004	8,004	8,004
M T Richards	2,400	2,400	-
P O James	-	-	-

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

	Options held at 01.04.16	**Exercised**	**Lapsed**	**Options held at 31.03.17**	**Exercise price**	**Date of grant**	**Exercise period**
G S Marsh	31,600	(31,600)	-	-	5p	07.08.13	August 2014 to August 2023
J M Lavery	31,600	(31,600)	-	-	5p	07.08.13	August 2014 to August 2023
J L Macmichael	31,600	(11,297)	(20,303)	-	5p	07.08.13	August 2014 to August 2023

The market price of the shares at 31 March 2017 was £4.33 (2016: £3.65), with a quoted range during the year of £2.92 to £5.30 (2016: £3.44 to £9.07).

All the options at 31 March 2016 were subject to performance criteria based on the year ended 31 March 2016. For G S Marsh the criteria were based on the pre-tax profit of the Group, for J M Lavery on the pre-tax profit of the manufacturing division and for J L Macmichael on the pre-tax profit of the distribution division. The market value at the date of grant was £2.38.

74,497 share options with an exercise price of £0.05 were exercised on the 18 August 2016 with a market price at the date of exercise of £3.38. The aggregate gain on exercise of share options in the year was £248k (2016: £776k).

There were no options granted during the year ended 31 March 2017 and there were no options outstanding at 31 March 2017. Details of options granted after the balance sheet date are included in note 31.

6. FINANCE COSTS

	2017 £'000	**2016 £'000**
Bank borrowings	39	111
Other interest	3	1
	42	112

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

7. TAX EXPENSE

	2017 £'000	2016 £'000
Analysis of continuing and discontinuing total tax expense		
Total tax charge from continuing operations	405	286
Total tax credit from discontinuing operations	(101)	(258)
	304	28
Current tax expense		
UK corporation tax on profits or losses for the year	307	165
Adjustment in respect of prior periods	-	-
	307	165
Deferred tax credit	(3)	(137)
Total tax charge	304	28

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:

	2017 £'000	2016 £'000
Profit before tax including discontinued operations	2,155	4,196
Expected tax charge based on the standard rate of corporation tax in the UK of 20% (2016 – 20%)	431	839
Effect of:		
Expenses not deductible for tax purposes	24	52
Deductible expenses not charged in Group accounts	(47)	(7)
Difference between depreciation for the year and capital allowances	12	18
Tax relief on exercise of share options at less than market value	(15)	(158)
Enhanced relief on research and development expenditure	(94)	(674)
Deferred tax credit arising on change of tax rate	(15)	(18)
Amortisation of intangibles	8	(4)
Other	-	(20)
Total tax charge	304	28

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantially enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax liabilities at 31 March 2017 have been calculated based on these rates.

See note 29 for details of continuing and discontinued tax charges.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

8. EARNINGS PER SHARE

The earnings per share is based on the following:

	2017 £'000	**2016 £'000**
Adjusted continuing earnings post tax	2,693	2,656
Reported continuing earnings post tax	2,289	2,303
Discontinued earnings post tax	(438)	1,865
Adjusted total Earnings post tax	2,255	4,521
Reported total Earnings post tax	1,851	4,168
Weighted average number of shares	8,426,418	8,345,406
Diluted number of shares	8,426,418	8,474,536
Reported EPS		
Basic EPS from continuing operations	27.2p	27.6p
Basic EPS from discontinued operations	(5.2p)	22.3p
Basic EPS from profit for the year	22.0p	49.9p
Diluted EPS from continuing operations	**27.2p**	**27.2p**
Diluted EPS from discontinued operations	(5.2p)	22.0p
Diluted EPS from profit for the year	22.0p	49.2p
Adjusted EPS		
Adjusted Basic EPS from continuing operations	32.0p	31.8p
Adjusted Basic EPS from discontinued operations	(5.2p)	22.3p
Adjusted Basic EPS from profit for the year	26.8p	51.8p
Adjusted Diluted EPS from continuing operations	**32.0p**	**31.3p**
Adjusted Diluted EPS from discontinued operations	(5.2p)	22.0p
Adjusted Diluted EPS from profit for the year	26.8p	51.3p

Earnings per ordinary share has been calculated using the weighted average number of shares in issue during the year. The weighted average number of equity shares in issue was 8,426,418 (2016: 8,345,406).

The diluted earnings per share is based on 8,426,418 (2016: 8,474,536) ordinary shares which allow for the exercise of all dilutive potential ordinary shares.

The adjustments to profit made in calculating the adjusted earnings are set out in note 30.

9. DIVIDENDS

	2017 £'000	**2016 £'000**
Final dividend paid for the prior year of 8p per share (2016: 8p)	680	673
Interim dividend paid of 4p per share (2016: 4p)	340	337
Cancelled dividends on shares held in treasury	(4)	(5)
	1,016	1,005
Final dividend proposed for the year 8p per share (2016: 8p)	677	670

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

10. PROPERTY, PLANT AND EQUIPMENT

	Short leasehold property improvements £'000	Motor vehicles £'000	Fittings equipment and computers £'000	Total £'000
Year ended 31 March 2016				
Cost				
1 April 2015	416	878	1,584	2,878
Additions	27	330	268	625
Acquisition of subsidiaries	-	43	6	49
Disposals	-	(184)	-	(184)
31 March 2016	443	1,067	1,858	3,368
Depreciation and impairment				
1 April 2015	118	304	1,214	1,636
Charge for the year	53	205	148	406
Impairment charge	72	-	15	87
On disposal	-	(127)	-	(127)
31 March 2016	243	382	1,377	2,002
Net book value				
31 March 2016	200	685	481	1,366
Year ended 31 March 2017				
Cost				
1 April 2016	443	1,067	1,858	3,368
Additions	919	432	126	1,477
Acquisition of subsidiaries	116	-	60	176
Disposals	(98)	(433)	(182)	(713)
31 March 2017	1,380	1,066	1,862	4,308
Depreciation and impairment				
1 April 2016	243	382	1,377	2,002
Charge for the year	70	195	182	447
On disposal	(98)	(273)	(176)	(547)
31 March 2017	215	304	1,383	1,902
Net book value				
31 March 2017	1,165	762	479	2,406

At 31 March 2017, the assets included a motor vehicle held under a finance lease. The net book value was £6k (2016: £8k) and the depreciation charge for the year was £2k (2016: £2k)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017(continued)

11. INTANGIBLE ASSETS

	Development Costs £'000	Computer software £'000	Goodwill on consolidation £'000	Other intangible assets £'000	Total £'000
Year ended 31 March 2016					
Cost					
1 April 2015	503	322	3,509	1,484	5,818
Additions	-	36	-	-	36
Acquisition of subsidiaries	-	4	254	344	602
Write-down	(503)	-	-	-	(503)
31 March 2016	-	362	3,763	1,828	5,953
Amortisation					
1 April 2015	-	155	-	262	417
Charge for the year	-	43	-	182	225
Impairment charge	-	28	-	-	28
31 March 2016	-	226	-	444	670
Net book value					
31 March 2016	-	136	3,763	1,384	5,283
Year ended 31 March 2017					
Cost					
1 April 2016	-	362	3,763	1,828	5,953
Additions	347	79	-	-	426
Acquisition of subsidiaries	-	-	780	150	930
Disposals	-	(133)	-	-	(133)
31 March 2017	347	308	4,543	1,978	7,176
Amortisation					
1 April 2016	-	226	-	444	670
Charge for the year	140	34	-	213	387
Disposals	-	(105)	-	-	(105)
31 March 2017	140	155	-	657	952
Net book value					
31 March 2017	207	153	4,543	1,321	6,224

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

12. GOODWILL AND IMPAIRMENT

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

	Goodwill carrying amount	
	2017 £'000	**2016 £'000**
Steatite Limited	2,231	2,231
Creasefield Limited	780	-
Manufacturing division	3,011	2,231
Distribution division	1,532	1,532
Total	4,543	3,763

The recoverable amounts of all the above CGUs have been determined from a review of the current and anticipated performance of these units. In preparing the projection, a discount rate of 10% (2016: 15%) has been used based on the Group's estimated weighted average cost of capital. A future growth rate of 2.0% (2016: 2.0%) has been assumed beyond the first year, for which the projection is based on the budget approved by the board of directors. The future growth rate has been applied for the next four years. It has been assumed investment in capital equipment will equate to depreciation over this period.

The recoverable amount exceeds the carrying amount by £46,978k (2016: £5,283k). If the following changes were made to the above key assumptions, the carrying amount would still exceed the recoverable amount.

Discount rate: Increase from 10% to 20%
Growth rate: Reduction from 2.0% to nil%

13. SUBSIDIARIES

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

Subsidiary undertakings	**Country of Incorporation**	**Proportion of voting rights and Ordinary share capital held**	**Nature of business**
Solid State Supplies Limited	Great Britain	100%	Distribution of electronic components.
Steatite Limited	Great Britain	100%	Distribution of electronic components and manufacture of electronic equipment.
Creasefield Limited	Great Britain	100%	Distribution of battery packs and manufacture of battery packs.
Q-Par Angus Limited	Great Britain	100%	Non trading entity
Ginsbury Electronics Limited	Great Britain	100%	Non trading entity
Wordsworth Technology (Kent) Limited	Great Britain	100%	Non trading entity
Rugged Systems Limited	Great Britain	100%	Non trading entity

During the year Signregion Limited and 2001 Electronic Components Limited have been dissolved. The non trading entities are exempt from filing audited accounts with the registrar under section 479a of the Companies Act 2006.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

14. INVENTORIES

	2017 £'000	2016 £'000
Finished goods and goods for resale	4,865	4,314
Work in progress	712	1,220
	5,577	5,534

Inventory recognised in cost of sales during the year as an expense was £26,080k (2016: £28,654k).

An impairment loss of £597k (2016: £338k) was recognised in cost of sales during the year against inventory due to slow moving and obsolete items.

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

15. TRADE AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
Trade receivables	7,374	12,731
Other receivables	133	138
Prepayments	578	596
	8,085	13,465

Impairment losses against trade receivables of £7k were recognised during the year (2016: credit of £9k).

16. TRADE AND OTHER PAYABLES (CURRENT)

	2017 £'000	2016 £'000
Trade payables	3,577	2,588
Other taxes and social security taxes	455	632
Amounts due under hire purchase agreements	13	3
Other payables	44	398
Accruals	1,249	1,753
Deferred income	570	650
	5,908	6,024

Other payables included deferred consideration of £nil (2016: £350k) in relation to the Ginsbury acquisition which was completed in 2016.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

17. BANK OVERDRAFT

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 £2,000k (2016: £2,095k).

18. TRADE AND OTHER PAYABLES (NON CURRENT)

	2017 £'000	2016 £'000
Amounts due under hire purchase agreements	-	5

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 31 March 2017 (continued)

19. FINANCIAL INSTRUMENTS (continued)

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

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

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

The credit risk on liquid funds is low as the funds are held at a bank with a high credit rating 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.

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

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

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

Credit risk
The carrying amount of financial assets represents the maximum credit exposure. The Group maintains its cash reserves at a reputable bank. The maximum exposure to credit risk at the reporting date was:

	Loans and Receivables	
	2017	**2016**
	£'000	**£'000**
Current financial assets		
Trade and other receivables	7,507	12,869
Cash and cash equivalents	909	994
	8,416	13,863

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

19. FINANCIAL INSTRUMENTS (continued)

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

	Carrying value	
	2017 **£'000**	**2016** **£'000**
UK	6,513	11,197
Non UK	861	1,534
	7,374	12,731

The Group policy is to make a provision against those debts that are overdue, unless there are grounds for believing that all or some of the debts will be collected. During the year the value of provisions made in respect of bad and doubtful debts was a reversal of £12k (2016: charge of £55k) which represented 0.03% (2016: 0.13%) of revenue. This provision is included within the sales, general and administration expenses in the Consolidated Statement of Comprehensive Income.

Trade receivables ageing by geographical segment

Geographical area	**Total £'000**	**Current £'000**	**30 days past due £'000**	**60 days past due £'000**	**90 days past due £'000**
2017					
UK	6,543	3,796	2,388	291	68
Non UK	863	396	454	10	3
Total	7,406	4,192	2,842	301	71
Less: Provisions	(32)	-	-	(4)	(28)
Total	7,374	4,192	2,842	297	43
2016					
UK	11,228	9,625	1,336	223	44
Non UK	1,542	1,223	225	34	60
Total	12,770	10,848	1,561	257	104
Less: Provisions	(39)	-	-	-	(39)
Total	12,731	10,848	1,561	257	65

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (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:

	2017 £'000	2016 £'000
Opening balance	39	108
Acquisition of subsidiaries	12	1
Decreases in provisions	(12)	(55)
Written off against provisions	(7)	(15)
Closing balance	32	39

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

As shown in the earlier table, at 31 March 2017 trade receivables of £3,182k which were past their due date were not impaired (2016: £1,883k).

Liquidity risk

	Financial liabilities measured at amortised cost	
	2017 £'000	**2016 £'000**
Current financial liabilities		
Trade and other payables	5,908	6,024
Bank overdraft	-	4,398
	5,908	10,422
Non current financial liabilities		
Hire purchase creditors	-	5

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (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
2017					
Bank overdrafts	-	-	-	-	-
Trade and other payables	5,895	5,895	5,895	-	-
Hire purchase creditors	13	13	6	7	-
	5,908	5,908	5,901	7	-
2016					
Bank overdrafts	4,398	4,398	4,398	-	-
Trade and other payables	6,021	6,021	6,021	-	-
Hire purchase creditors	8	8	1	2	5
	10,427	10,427	10,420	2	5

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

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

The US Dollar overdraft facility bears the interest rate of 1.0% over the Lloyds Bank US dollar reference rate and is therefore affected by changes in the US interest rate.

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

In terms of sensitivity, if the ruling base rate had been 1% higher throughout the year the level of interest payable would have been £17k (2016: £45k) higher and if 1% lower throughout the year the level of interest payable would have been lower by the same amount.

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

19. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

The following table shows the net liabilities exposed to US dollar exchange rate risk that the Group has at 31 March 2017:

	2017 £'000	2016 £'000
Trade receivables	2,180	2,448
Cash and cash equivalents	660	373
Trade payables and accruals	(1,353)	(1,553)
	1,487	1,268

There were also net assets of £75k in euros (2016: net liabilities of £30k).

The Group is exposed to currency risk because it undertakes trading transactions in US dollars and euros. The Directors do not generally consider it necessary to enter into derivative financial instruments to manage the exchange risk arising from its operations, but from time to time when the Directors consider foreign currencies are weak and it is known that there will be a requirement to purchase those currencies, forward arrangements are entered into. There were no forward purchase agreements in place at 31 March 2017 (2016: 2) with nil net exposure (2016: nil).

The effect of a strengthening of 10% in the rate of exchange in the currencies against sterling at the statement of financial position date would have resulted in an estimated net increase in pre-tax profit for the year and an increase in net assets of approximately £165k (2016: £138k) and the effect of a weakening of 10% in the rate of exchange in the currencies against sterling at the statement of financial position date would have resulted in an estimated net decrease in pre-tax profit for the year and a decrease in net assets of approximately £135k (2016: £113k).

Capital risk management

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

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the characteristic of the underlying assets. The Group monitors capital by reviewing net debt against shareholders' funds. The position of these indicators and the movement during the year is shown in the Financial Summary.

The Group defines total capital as equity in the consolidated balance sheet plus net debt or less net funds plus deferred consideration (note 16). Total capital at 31 March 2017 was £15,746k (2016: £19,527k).

The Group defines leverage as net debt plus deferred consideration which totals net cash £896k (2016: leverage (£3,762k))

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt plus deferred consideration divided by total capital. At 31 March 2017 the gearing ratio was (5.7%) (2016: 19.3%).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

19. FINANCIAL INSTRUMENTS (continued)

Capital under management
The Group considers its capital to comprise its ordinary share capital, share premium account, capital redemption reserve, foreign exchange reserve, shares held in treasury 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 31 March 2017 is shown below:

	2017 £'000	2016 £'000
Cash and cash equivalents	(909)	(994)
Bank overdrafts	-	4,398
Hire purchase finance	13	8
Deferred consideration	-	350
Net (cash)/leverage	(896)	3,762
Share capital	425	421
Share premium account	3,629	3,629
Retained earnings	12,826	11,991
Capital redemption reserve	5	5
Shares held in treasury	(243)	(281)
Equity	16,642	15,765
Gearing ratio (net leverage / equity + net leverage/(cash))	(5.7)%	19.3%

20. DEFERRED TAX

Accelerated capital allowances, capitalised development costs and goodwill on acquisition of subsidiaries:

	2017 £'000	2016 £'000
At 1 April 2016	285	346
Deferred tax arising on acquisition of subsidiaries	45	75
Charge for the year	12	(118)
Effect of tax rate change	(15)	(18)
At 31 March 2017	327	285

Deferred tax liabilities/(assets) in relation to:

	2017 £'000	2016 £'000
Accelerated capital allowances on property plant and equipment	90	64
Short term timing differences on ntangible assets	237	256
Share based payments	-	(35)
At 31 March 2017	327	285

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

20. DEFERRED TAX (continued)

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantially enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax liabilities at 31 March 2017 have been calculated based on these rates.

The amount of the net reversal of deferred tax expected to occur next year is £131k (2016: £64k) relating to the timing differences on tangible fixed assets.

21. SHARE CAPITAL

	2017 £'000	2016 £'000
Allotted issued and fully paid		
8,496,512 (2016: 8,422,015) ordinary shares of 5p each	425	421

On 18 August 2016, Mr J L Macmichael exercised share options over 11,297 ordinary shares which were issued at an exercise price of 5p.

On 18 August 2016, Mr G S Marsh exercised share options over 31,600 ordinary shares which were issued at an exercise price of 5p.

On 18 August 2016, Mr J M Lavery exercised share options over 31,600 ordinary shares which were issued at an exercise price of 5p.

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

Details of options granted are set out in Note 5 and the post year end grant is disclosed in note 31. At 31 March 2017 the number of shares covered by option agreements amounted to nil (2016: 94,800).

22. RESERVES

Full details of movements in reserves are set out in the consolidated statement of changes in equity on page 36.

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

Reserve	Description and Purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption	Amounts transferred from share capital on redemption of issued shares.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.
Shares held in treasury	Shares held by the Group for future staff share plan awards

23. TREASURY SHARES

In January 2017, 6,300 (2016: 6,250) shares were awarded under the All Employee Share Plan. At 31 March 2017 the Group held 37,394 (2016: 42,021) shares in treasury with a cost of £243k (2016: £281k). No shares have been cancelled. The reduction in the shares held in Treasury of 4,627 relates to a re-allocation of shares held in treasury to the All Employee Share Plan.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

24. LEASING COMMITMENTS

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

	2017 £'000	2016 £'000
No later than 1 year	411	290
Later than 1 year and no later than 5 years	1,208	964
Later than 5 years	50	15

25. SHARE BASED PAYMENT

There is no share based incentive plan in place for the year ended 31 March 2017. Post year end a new share incentive plan has been granted to the executive directors and further details are provided within note 31.

In the year ended 31 March 2016 the Group operated an approved Enterprise Management Incentive Scheme whereby Mr G S Marsh, Mr J M Lavery and Mr J L Macmichael were granted options to purchase shares in Solid State PLC at a subscription price of 5p per share. The options in place at 31 March 2016 had exercise periods of any time after finalisation of the accounts for the year on which the performance criteria were based. Full details are set out in note 5.

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

The share based remuneration expenses amount to £nil for the year (2016: £174k).

26. CAPITAL COMMITMENTS

At 31 March 2017 there were capital commitments for plant and machinery of £nil (2016: £234k).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

27. SEGMENT INFORMATION

The Group's primary reporting format for segment information is business segments which reflect the management reporting structure in the Group. The distribution division comprises Solid State Supplies Limited and the manufacturing division includes Steatite Limited and Creasefield Limited.

Year ended 31 March 2017

	Distribution division £'000	Manufacturing division £'000	Head office £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
External revenue	16,479	23,542	-	40,021	-	40,021
Profit before tax	1,125	2,526	(957)	2,694	(539)	2,155
Taxation	(229)	(371)	195	(405)	101	(304)
Profit after taxation	896	2,155	(762)	2,289	(438)	1,851
Balance Sheet						
Assets	7,090	10,224	5,887	23,201	-	23,201
Liabilities	(2,256)	(3,997)	(306)	(6,559)	-	(6,559)
Net assets	4,834	6,227	5,581	16,642	-	16,642
Other						
Capital expenditure:						
Tangible fixed assets	348	1,129	-	1,477	-	1,477
Intangible assets	40	389	-	426	-	426
Depreciation	153	259	-	412	35	447
Amortisation	19	165	203	387	-	387
Other non-cash expenses	-	-	-	-	-	-
Interest	1	41	-	42	-	42

No individual customer contributed more than 10% of the Group's revenue in the financial year ended 31 March 2017. During the year ended 31 March 2016, greater than 10% of the Group's revenue was derived from one customer within the Manufacturing division.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

27. SEGMENT INFORMATION (continued)

Year ended 31 March 2016

	Distribution division £'000	Manufacturing division £'000	Head office £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
External revenue	16,628	20,179	-	36,807	7,293	44,100
Profit before tax	1,198	2,539	(1,148)	2,589	1,607	4,196
Taxation	(232)	(411)	357	(286)	258	(28)
Profit after taxation	966	2,128	(791)	2,303	1,865	4,168
Balance Sheet						
Assets	7,720	9,103	5,323	22,146	4,496	26,642
Liabilities	(2,069)	(3,260)	(4,884)	(10,213)	(664)	(10,877)
Net assets	5,651	5,843	439	11,933	3,832	15,765
Other						
Capital expenditure:						
Tangible fixed assets	295	330	-	625	-	625
Intangible assets	17	19	-	36	-	36
Depreciation	159	247	-	406	-	406
Amortisation	10	33	182	225	-	225
Impairment	-	-	-	-	618	618
Other non-cash expenses	-	-	174	174	-	174
Interest	3	109	-	112	-	112

	External revenue by location of customer		Total assets by location of assets		Net tangible capital expenditure by location of assets	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
United Kingdom	32,199	30,277	23,201	26,642	1,477	625
Rest of Europe	5,061	3,267	-	-	-	-
Asia	1,511	845	-	-	-	-
North America	900	2,243	-	-	-	-
Other	350	175	-	-	-	-
	40,021	36,807	23,201	26,642	1,477	625

All the above relate to continuing operations.

The discontinued operations revenue related to customers located in the United Kingdom see note 2.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

28. ACQUISITIONS DURING THE YEAR

On 31 May 2016 the Group acquired 100% of the ordinary shares in Creasefield Limited, for a cash consideration of £1,591k, with an initial cash transfer of £1,540k followed by a further £51k paid on agreement of the completion accounts. Creasefield specialises in the supply of battery packs to the commercial, retail, industrial and military markets throughout the UK and Europe.

A breakdown of assets and liabilities acquired is as follows:

	Book Value	Fair value Adjustment	Fair value to Group
	£'000	£'000	£'000
Intangible fixed assets	-	150	150
Tangible fixed assets	204	(28)	176
Stock	772	(103)	669
Debtors	821	(21)	800
Overdraft	(114)	-	(114)
Borrowings	(168)	-	(168)
Creditors	(609)	(48)	(657)
Deferred Tax	(18)	(27)	(45)
Net assets on acquisition	888	(77)	811
Goodwill on acquisition			780
Consideration			1,591
Discharged by:			
Cash paid on acquisition			1,591

The intangible assets are in relation to customer contacts and relationships. The goodwill recognised represents expected synergies from combining the operations of Creasefield with those of the existing Batteries manufacturing, expected value from incremental sales arising across the combined operation that is not separately recognisable at the date of acquisition and the value of the work force not recognised as an intangible asset under IFRS 3 revised.

In addition to the purchase price, the Group incurred a one off "finders fee" of £61k and re-organisation costs totalling £175k as a result of consolidating the batteries operations into the Creasefield site in Crewkerne. These costs have been included in sales general and administration expenses, however they have been treated as one off in calculating our adjusted performance metrics as detailed within note 30.

The revenue and profit after tax for the 10 month period post acquisition included in the Statement of Comprehensive Income arising from Creasefield's operations were £4,246k and £20k respectively.

Had the acquisition been completed on the 1 April 2016 management estimate that that the revenue would have been circa £5.0m and pre-tax profit would be circa £25k.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

29. DISCONTINUED OPERATIONS
The table below reconciles the discontinued operations to the previously reported income statement.

	2017			2016		
	Continuing operatons £'000	Discontinued operations £'000	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
Revenue	**40,021**	**-**	**40,021**	**36,807**	**7,293**	**44,100**
Cost of sales	(27,994)	-	(27,994)	(25,348)	(4,724)	(30,072)
Gross profit	**12,027**	**-**	**12,027**	**11,459**	**2,569**	**14,028**
Sales general & administration expenses	(9,291)	(539)	(9,830)	(8,758)	(962)	(9,720)
Operating profit	**2,736**	**(539)**	**2,197**	**2,701**	**1,607**	**4,308**
Finance costs	(42)	-	(42)	(112)	-	(112)
Profit before tax	**2,694**	**(539)**	**2,155**	**2,589**	**1,607**	**4,196**
Tax expense	(405)	101	(304)	(286)	258	(28)
Profit after tax	**2,289**	**(438)**	**1,851**	**2,303**	**1,865**	**4,168**

Cash flows from discontinued operations are as follows:

	2017			2016		
	Continuing operatons £'000	Discontinued operations £'000	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
Operating cash flows	5,824	3,328	9,152	3,542	(1,720)	1,822
Investing cash flows	(3,775)	-	(3,775)	(1,559)	(106)	(1,655)
Financing cash flows	(1,064)	-	(1,064)	(1,098)	-	(1,098)

30. ADJUSTMENTS TO PROFIT

The Group's results are reported after a number of imputed non-cash charges and non-recurring items. Therefore we have provided additional information to aid an understanding of the Group's performance. We have presented an adjusted profit metric adjusting for the following items:

- Non-cash accounting charges arising from share based payments and the amortisation of acquisition related intangibles.
- One off cash costs relating to the acquisition of Creasefield Limited and the re-organisation of the manufacturing division.

	2017 £'000	2016 £'000
Acquisition and re-organisation costs in cost of sales	175	-
Acquisition and re-organisation costs in sales, general and administration expenses	61	-
Total acquisition and re-organisation costs	236	-
Amortisation of acquisition intangibles	203	182
Share based payments	-	174
Taxation effect	(35)	(3)
Total	**404**	**353**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

30. ADJUSTMENTS TO PROFIT – continued

	2017 £'000	2016 £'000
Reported gross profit from continuing operations	12,027	11,459
Adjusted gross profit from continuing operations	12,202	11,459
Reported gross margin percentage from continuing operations	30.1%	31.1%
Adjusted gross margin percentage from continuing operations	30.5%	31.1%
Reported operated profit from continuing operations	2,736	2,701
Adjusted operating profit from continuing operations	3,175	3,057
Reported operating margin percentage from continuing operations	6.8%	7.3%
Adjusted operating margin percentage from continuing operations	7.9%	8.3%
Reported profit before tax from continuing operations	2,694	2,589
Adjusted profit before tax from continuing operations	3,133	2,945
Reported profit after tax from continuing operations	2,289	2,303
Adjusted profit after tax from continuing operations	2,693	2,656

31. POST BALANCE SHEET EVENT

On 1 June 2017 the company granted options to each of the following directors (who currently have no outstanding options) under the Company's Long Term Incentivisation Plan, as follows:

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

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

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

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

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

Company Number: 00771335

COMPANY STATEMENT OF FINANCIAL POSITION
at 31 March 2017

	Notes	2017		2016	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Investments	4		9,508		7,892
CURRENT ASSETS					
Debtors	5	2,371		3,341	
Cash at bank and in hand		17		173	
		2,388		3,514	
CREDITORS: Amounts falling due within one year	6	(3,390)		(5,946)	
NET CURRENT LIABILITIES			(1,002)		(2,432)
NET ASSETS			8,506		5,460
CAPITAL AND RESERVES					
Called up share capital	7		425		421
Share premium account	8		3,629		3,629
Capital redemption reserve	8		5		5
Profit and loss account	8		4,690		1,686
Shares held in treasury	9		(243)		(281)
SHAREHOLDERS' FUNDS			8,506		5,460

The financial statements were approved by the Board of Directors and authorised for issue on 4 July 2017.

G S Marsh, *Director*

P O James, *Director*

The notes on pages 72 to 76 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2017

	Share Capital	Share Premium Reserve	Capital Redemption Reserve	Profit & Loss Account	Shares held in Treasury	Share-holders Funds
Balance at 31 March 2015	**417**	**3,629**	**5**	**862**	**(313)**	**4,600**
Total comprehensive income For the year ended 31 March 2016	-	-	-	1,655	-	1,655
Issue of new shares	4	-	-	-	-	4
Share based payment expense	-	-	-	174	-	174
Dividends	-	-	-	(1,005)	-	(1,005)
Repurchase of own shares into treasury	-	-	-	-	32	32
Balance at 31 March 2016	**421**	**3,629**	**5**	**1,686**	**(281)**	**5,460**
Balance at 31 March 2016	**421**	**3,629**	**5**	**1,686**	**(281)**	**5,460**
Total comprehensive income For the year ended 31 March 2017	-	-	-	4,020	-	4,020
Issue of new shares	4	-	-	-	-	4
Share based payment expense	-	-	-	-	-	-
Dividends	-	-	-	(1,016)	-	(1,016)
Transfer of shares to All Employee Share Ownership Plan	-	-	-	-	38	38
Balance at 31 March 2017	**425**	**3,629**	**5**	**4,690**	**(243)**	**8,506**

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 March 2017

1. ACCOUNTING POLICIES

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

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

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

Profit and loss account
Under section 408(4) of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The profit for the year ended 31 March 2017 is disclosed in the Statement of Changes in Equity.

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

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

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

Other financial liabilities
Other financial liabilities include the following items:

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

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

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Treasury Shares
Shares in Solid State PLC purchased for holding in treasury are held at cost as a separate negative reserve in the capital section of the statement of financial position. Any dividends paid in relation to these shares are cancelled.

2. STAFF COSTS

Staff costs amounted £285k (2016: £655k) and comprised the share based payment expense of £nil (2016: £174k) provision for employer’s national insurance on exercise of share options of £nil (2016: £24k) and salary and related costs in respect of Mr A B Frere, Mr G S Marsh, Mr M T Nutter (resigned 29 June 2016), Mr P O James (appointed 20 February 2017), Mr J Lavery (Non-Executive Fees) and Mr P Haining. No other remuneration was paid by the Company. Details of directors’ emoluments are given in note 5 to the Group financial statements.

3. SHARE BASED PAYMENT

There is no share based incentive plan in place for the year ended 31 March 2017. Post year-end a new share incentive plan has been Granted to the executive directors and further details are provided in note 31 to the Group accounts.

In the year ended 31 March 2016 the Group operated an approved Enterprise Management Incentive Scheme whereby Mr G S Marsh, Mr J M Lavery and Mr J L Macmichael were granted options to purchase shares in Solid State PLC at a subscription price of 5p per share. The options in place at 31 March 2016 had exercise periods of any time after finalisation of the accounts for the year on which the performance criteria were based. Full details are set out in Note 5 to the Group financial statements.

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

The share based remuneration expenses amount to £nil for the year (2016: £174k).

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 March 2017

4. INVESTMENTS
Company

	Group undertakings £'000
Cost	
1 April 2016	7,892
Additions	1,617
Disposals	(1)
31 March 2017	9,508
Net book value	
31 March 2017	9,508
31 March 2016	7,892

Further details of the additions related to the Creasefield acquisition are disclosed in note 28 of the Group financial statements.

Subsidiary undertakings

The subsidiaries of Solid State PLC are as follows are as follows:

Subsidiary undertakings	**Proportion of voting rights and Ordinary share capital held**	**Nature of business**
Solid State Supplies Limited	100%	Distribution of electronic components
Steatite Limited	100%	Distribution of electronic components and manufacture of electronic equipment
Creasefield Limited	100%	Distribution of battery packs and manufacture of battery packs.
Q-Par Angus Limited	100%	Non trading entity
Ginsbury Electronics Limited	100%	Non trading entity
Wordsworth Technology (Kent) Limited	100%	Non trading entity
Rugged Systems Limited	100%	Non trading entity

During the year Signregion Limited and 2001 Electronic Components Limited have been dissolved. The non trading entities are exempt from filing audited accounts with the registrar under section 479a of the Companies Act 2006.

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

	2017 £'000	2016 £'000
5. DEBTORS		
Amounts owed by Group undertakings	2,352	3,327
Other debtors	13	13
Prepayments	6	1
	2,371	3,341

	2017 £'000	2016 £'000
6. CREDITORS: Amounts falling due within one year		
Bank overdraft (secured)	-	4,195
Amounts owed to Group undertakings	3,312	1,276
Other taxes and social security costs	27	32
Other creditors	41	386
Accruals	10	57
	3,390	5,946

The Company has guaranteed bank borrowings of its subsidiary undertakings, Solid State Supplies Limited, Steatite Limited and Creasefield Limited. At the year end the liabilities covered by those guarantees amounted to £nil (2016: £203k). 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

	2017 £'000	2016 £'000
Allotted issued and fully paid		
8,496,512 (2016: 8,422,015) ordinary shares of 5p each	425	421

On 18 August 2016, Mr J L Macmichael exercised share options over 11,297 ordinary shares which were issued at an exercise price of 5p.

On 18 August 2016, Mr G S Marsh exercised share options over 31,600 ordinary shares which were issued at an exercise price of 5p.

On 18 August 2016, Mr J M Lavery exercised share options over 31,600 ordinary shares which were issued at an exercise price of 5p.

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

Details of options granted are set out in note 5 to the Group accounts and the post year-end grant is disclosed in note 31 to the Group accounts. At 31 March 2017 the number of shares covered by option agreements amounted to nil (2016: 94,800).

At 31 March 2017, 37,394 shares were held in treasury (2016: 42,021).

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 March 2017 (continued)

8. RESERVES

Full details of movements in reserves are set out in the company statement of changes in equity on page 71.

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.
Profit and loss account	Cumulative net gains and losses recognised in the consolidated income statement.
Shares held in treasury	Shares held by the Group for future staff share plan awards

9. OWN SHARES HELD IN TREASURY

In January 2017, 6,300 (2016: 6,250) shares were awarded under the All Employee Share Plan. At 31 March 2017 the Group held 37,394 (2016: 42,021) shares in treasury with a cost of £243k (2016: £281k). No shares have been cancelled. The reduction in the shares held in Treasury of 4,627 relates to a re-allocation of shares held in treasury to the All Employee Share Plan.

10. LEASING COMMITMENTS

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

	2017 £'000	**2016 £'000**
Within one year	24	24
Between one and five years	2	26
Later than five years	-	-

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Solid State PLC will be held at 2, Ravensbank Business Park, Hedera Road Redditch B98 9EY, on 6 September 2017 at 9.30am for the following purposes:

ORDINARY RESOLUTIONS

(1) To receive and adopt the accounts for the year ended 31 March 2017, together with the reports of the Directors and auditors thereon. (Resolution 1)

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

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

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

(5) To reappoint Peter Owen James, being a director of the Company appointed since the last annual general meeting, in accordance with the Company's Articles of Association. (Resolution 5)

(6) To reappoint haysmacintyre as auditors of the Company. (Resolution 6)

(7) To authorise the Directors to fix the auditors' remuneration. (Resolution 7)

(8) To pass the following resolution:

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

i) comprising equity securities (as defined by section 560 of the Companies Act 2006) up to an aggregate nominal amount of £140,192.45 (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 £84,965.12 (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 8)

SPECIAL RESOLUTIONS

(9) To pass the following resolution:

That the Company is authorised to allot equity securities pursuant to resolution 8 above up to an aggregate nominal amount of £42,482.56, which is 10% of the issued share capital, as if Section 561 of the Companies Act 2006 (existing shareholders – right of pre-emption):

i) did not apply to the allotment; or

ii) applied to the allotment with such modifications as the Directors may determine provided that this authority shall, unless renewed, varied or revoked by the company, expire after a period of 18 months from the passing of this resolution save that the company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted and the Directors may allot equity securities in pursuance of such offer or agreement not withstanding that the authority conferred by the resolution has expired. (Resolution 9)

NOTICE OF ANNUAL GENERAL MEETING (continued)

SPECIAL RESOLUTIONS (continued)

(10) 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 10)

BY ORDER OF THE BOARD

P Haining FCA
Secretary
4 July 2017

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

NOTES:

1. Proxies

Only holders of ordinary shares are entitled to attend and vote at this meeting. A member entitled to attend and vote may appoint a proxy or proxies who need not be a member of the Company to attend and to vote instead of him or her. Forms of proxy need to be deposited with the Company's registrar, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, B63 3DA, 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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