



Solid State plc

Annual Report & Accounts
31 March 2008

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DIRECTORS, SECRETARY AND ADVISERS

Directors:	Peter Haining, FCA, <i>Chairman</i> Lewis Cyril Ashby Newnham, <i>Deputy Chairman</i> Gary Stephen Marsh, <i>Managing Director</i> William George Marsh, <i>Director</i> John Michael Lavery, <i>Director</i>
Company Secretary and Registered Office:	Peter Haining, FCA Solid State PLC Unit 2 Eastlands Lane Paddock Wood Kent TN12 6BU
Company Number:	771335
Nominated Adviser:	Charles Stanley Securities 25 Luke Street London EC2A 4AR
Broker:	Charles Stanley Securities 25 Luke Street London EC2A 4AR
Auditors:	BDO Stoy Hayward LLP 55 Baker Street London W1U 7EU
Solicitors:	Thomson Snell & Passmore 3 Lonsdale Gardens Tunbridge Wells Kent TN1 1NX
Bankers:	HSBC plc 9 Wellesley Road Croydon Surrey CR9 2AA
Registrars:	Capita IRG plc Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA
Country of Incorporation of Parent Company:	Great Britain
Legal Form:	Public Limited Company

CHAIRMAN'S STATEMENT

Results

The audited profit before tax of the Group was £424,442 (2007: £556,170) on revenue of £10,724,333 (2007: £12,369,904). The basic earnings per share amounted to 5.4p (2007: 7.5p). The pre-tax profit is stated after charging non-recurring costs of the re-organisation at Paddock Wood of £57,863. Following adoption of International Financial Reporting Standards no provision for amortisation of goodwill has been made in these accounts and the results for the previous year have been restated accordingly.

Dividends

The Directors recommend that a final dividend of 1.25p per share be paid. An interim dividend of 0.75p per share was paid in January 2008 giving a total dividend in respect of the year of 2p per share (2007: 3p per share). The final dividend will be paid on 31st October 2008 to shareholders on the register at the close of business on 17th October 2008.

Trading Review

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

Solid State Supplies

Trading conditions were difficult during this financial period with the distribution market contracting as further production moved offshore. However, our programme of introducing new higher value products meant that sales declined only marginally, from £3,719,661 to £3,545,594 and we closed the year with bookings for the year exceeding sales for the year by just over £100,000. As reported previously, during the first quarter we restructured our operations at Paddock Wood and coupled with our focus on improving gross profit margins meant that we were trading profitably by the fourth quarter with the gross profit margin on the distribution business increasing from 26.3% to 27.5%. The outlook for the rest of 2008 and 2009 suggests that trading will again be challenging and to help combat this we are actively seeking new franchise lines and will continue to reduce costs where considered appropriate.

Steatite and Wordsworth Technology

Sales in both companies declined over the previous year, Steatite from £4,558,707 to £3,471,297 and Wordsworth from £4,518,189 to £3,744,339, whilst bookings remained largely flat. However, bookings exceeded sales by £1,020,000 compared with a deficit in the previous year of £90,000, and the combined gross profit rose from 25.4% to 29.4%. The decline in sales being largely due to two major military related contracts that were delayed for both Steatite and Wordsworth.

The integration after acquisition of RZ Pressure SARL and RZ Pressure UK into the Redditch site went well adding to our range of high value lithium batteries and opening European and International markets through a range of UN approved packs.

Our strategy to focus on the creation of value added products has meant margin improvement in both companies giving a 9% return on sales (net profit before tax as a percentage of sales) and a profit figure matching the previous year on a lower sales total. Both businesses are well structured and continue to gain reputation as leading suppliers to their relevant market sectors with new and innovative product offerings along with strong technical support. This means a cautiously optimistic outlook for 2008 with a return to growth in sales along with continuing gross profit margin enhancement in a market that suffers from low cost offshore manufacturing relocation.

Summary

The difficult trading conditions throughout the industry are reflected in the fall in Group revenue of 13.3% compared with the previous year. Close control of gross profit margins and overheads resulted in an overall increase in gross profit margin from 29% to 29.4% and an overall reduction in overheads of £288,002 representing just over 10% of last year's level.

CHAIRMAN'S STATEMENT (continued)

The new financial year has started strongly which contrasts with the very quiet trading period in the corresponding period last year. However, the Directors appreciate that the UK economy is likely to have a disappointing year but are confident that the Group is well placed to increase its market share in its key trading areas. The recent acquisition of RZ Pressure Instrument Supply SARL is leading to enhanced revenue and margins in the battery division of Steatite Limited and the Group continues to look for suitable acquisitions within the electronics industry.

Renewal of authority to purchase the Company's 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 on page 51 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 923,476 shares representing 15% of the issued Ordinary share capital of the Company. The minimum price payable by the Company for its Ordinary shares will be 20p and the maximum price will be £1. The authority will automatically expire after a period of eighteen months from the passing of the resolution unless renewed.

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

Your Directors consider that the resolution to be proposed at the meeting is in the best interests of the Company and its shareholders. They unanimously recommend that all Ordinary shareholders vote in favour of the resolution at the Annual General Meeting as they intend to do in respect of their beneficial holdings amounting to 1,796,989 Ordinary shares, representing 29.19% of the Company's issued Ordinary share capital.

Removal of age limit on appointment of directors

The notice of the Annual General Meeting includes a Special Resolution to remove the age limit for the appointment of Directors. Section 293 of the Companies Act 1985 (which contains the age limit for Directors) has been repealed by the Companies Act 2006 to be consistent with new age discrimination laws. As the changes brought about by the Companies Act 2006 can, in some cases, be overruled by provisions in the Company's Articles of Association it is necessary to amend the Articles to conform with the new legislation.

Conclusion

I would like to thank my fellow Directors and all the staff of the Group for their continued support.

Peter Haining

Chairman

8th September 2008

DIRECTORS' REPORT

For the year ended 31st March 2008

The Directors submit their report together with the audited financial statements of the Group in respect of the year ended 31st March 2008.

Principal Activities, Review of the Business and Future Developments

The principal activities of the Group during the year continued to be those of the distribution of electronic components and materials and the manufacturing of electronic equipment.

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

The year started quietly for all three trading companies and in June non-recurring costs of restructuring of £57,863 were incurred at Paddock Wood. The resulting fall in overheads has resulted in a return to profitability in the Paddock Wood trading operations.

John Macmichael, in his role as commercial director at Paddock Wood, has been successful in securing new franchises with higher value products which should enable revenue levels to be increased with sound gross profit margins despite the continuing decline in the traditional component distribution market.

At Redditch both companies saw a decline in revenue compared with the previous year. Steatite saw a decline in military business due to contracts being postponed but the acquisition and integration of the RZ Pressure business into the battery division of Steatite is providing a useful boost to revenue and has enabled the company to qualify for lower purchase prices from its principal supplier. The company is actively promoting the new markets available as a result of the UN approved packs acquired as part of the RZ acquisition.

Wordsworth Technology also suffered a loss of revenue in the military sector but it is anticipated that these contracts will be awarded later in the new financial year. The ICP division of the company had a good year with significantly enhanced margins which enabled the company to record an improved net profit despite a 17% fall in revenue compared with the prior year.

The Group has continued to invest in research and development activities at Redditch with expenditure of over £94,000 in the year. The Group has also invested £40,000 in a new customer relation management system at Paddock Wood which will be a useful marketing tool. Continuing improvements have been made to the websites for all divisions and it is noted that there have been increases in use of the websites and receipt of direct orders.

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

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

Results and Dividends

The consolidated income statement is set out on page 11. The Directors recommend that a final dividend of 1.25p per share is paid. The total dividend for the year is thus 2p per share. The final dividend will be paid on 31st October 2008 to shareholders on the register at the close of business on 17th October 2008.

DIRECTORS' REPORT

For the year ended 31st March 2008 (continued)

Directors

The Directors of the Company during the year were:

P Haining FCA
L C A Newnham
G S Marsh
W G Marsh
J M Lavery

Peter Haining FCA, aged 52, Non-executive Director, Company Secretary and Chairman

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

Cyril Newnham, aged 71, Non-executive Director and Deputy Chairman

Cyril Newnham is a chartered accountant who has held senior management posts in major companies, both in the UK and overseas. He has held a number of directorships within the electronics industry. He currently conducts a management consultancy practice.

Details of the interests of Directors in the shares of the Company and Directors' service contracts are stated in Note 6 to the financial statements.

Corporate Governance

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

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

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

Board of Directors

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

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

Going Concern

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

Purchase of Own Shares

At the year end the Company had in place authority to purchase 923,476 ordinary shares under authority given by a resolution at the Annual General Meeting on 8th August 2007. This authority expires on 8th February 2009.

DIRECTORS' REPORT

For the year ended 31st March 2008 (continued)

Financial Instruments

Details of the use of financial instruments by the Company and its subsidiaries are contained in Note 21 of the financial statements.

Internal Control

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

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

Statement of Directors' Responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The Directors are responsible for preparing the annual report and financial statements in accordance with the Companies Act 1985. The Directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The Directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice.

Group Financial Statements

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

A fair presentation also requires the Directors to:

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

DIRECTORS' REPORT

For the year ended 31st March 2008 (continued)

Parent company financial statements

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

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

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

Creditor Payment Policy

The Company's policy for the year to 31st March 2008 for all suppliers is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment.

Creditor days based on the year end trade creditors and purchases made in the year were 52 days (2007: 36 days).

Auditors

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

A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the Board

P Haining FCA

Secretary

8th September 2008

Registered Office:

Unit 2

Eastlands Lane

Paddock Wood

Kent TN12 6BU

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

We have audited the Group and Parent Company financial statements (the “financial statements”) of Solid State PLC for the year ended 31st March 2008 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

The Directors’ responsibilities for preparing the annual financial report and Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and for preparing the Parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors’ Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ remuneration and transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors’ Report and the Chairman’s Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely on this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group’s and the Company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we have also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS adopted by the European Union, of the state of the Group's affairs as at 31st March 2008 and of the Group's profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31st March 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP

Chartered Accountants and
Registered Auditors

London
8th September 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2008

	Notes	2008 £	2007 £
Revenue	3	10,724,333	12,369,904
Cost of sales		(7,569,347)	(8,784,024)
		<hr/>	<hr/>
GROSS PROFIT		3,154,986	3,585,880
Distribution costs		(1,238,794)	(1,356,520)
Administrative expenses		(1,392,107)	(1,562,383)
		<hr/>	<hr/>
PROFIT FROM OPERATIONS	4	524,085	666,977
Finance income	7	397	2,326
Finance costs	8	(100,040)	(113,133)
		<hr/>	<hr/>
PROFIT BEFORE TAXATION		424,442	556,170
Tax expense	9	(91,362)	(94,865)
		<hr/>	<hr/>
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		333,080	461,305
		<hr/>	<hr/>
EARNINGS PER SHARE			
Basic	10	5.4p	7.5p
Diluted	10	5.4p	7.5p

The notes on pages 15 to 45 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31st March 2008

	Share Capital £	Share Premium Reserve £	Capital Redemption Reserve £	Foreign Exchange Reserve £	Retained Earnings £	Total £
Balance at 31st March 2006	307,826	756,980	4,674	-	949,497	2,018,977
Profit for year ended 31st March 2007	-	-	-	-	461,305	461,305
Total recognised income in year	-	-	-	-	461,305	461,305
Dividends	-	-	-	-	(61,565)	(61,565)
Share based payment expense	-	-	-	-	7,633	7,633
Balance at 31st March 2007	307,826	756,980	4,674	-	1,356,870	2,426,350
Profit for year ended 31st March 2008	-	-	-	-	333,080	333,080
Translation differences on overseas operation	-	-	-	52,864	(52,864)	-
Total recognised income in year	-	-	-	52,864	280,216	333,080
Dividends	-	-	-	-	(169,304)	(169,304)
Share based payment expense	-	-	-	-	9,753	9,753
Balance at 31st March 2008	307,826	756,980	4,674	52,864	1,477,535	2,599,879

The notes on pages 15 to 45 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
at 31st March 2008

	Notes	£	2008 £	£	2007 £
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	12		288,534		342,838
Intangible assets	13		2,040,373		1,660,878
TOTAL NON-CURRENT ASSETS			<u>2,328,907</u>		<u>2,003,716</u>
CURRENT ASSETS					
Inventories	16	1,562,832		1,249,419	
Trade and other receivables	17	2,043,869		2,365,117	
Cash and cash equivalents		340,190		84,466	
TOTAL CURRENT ASSETS			<u>3,946,891</u>		<u>3,699,002</u>
TOTAL ASSETS			<u>6,275,798</u>		<u>5,702,718</u>
LIABILITIES					
CURRENT LIABILITIES					
Bank overdraft		803,721		555,640	
Trade and other payables	18	1,826,434		1,645,082	
Bank borrowings	19	938,893		762,783	
Corporation tax liabilities		106,871		94,865	
TOTAL CURRENT LIABILITIES			<u>3,675,919</u>		<u>3,058,370</u>
NON-CURRENT LIABILITIES					
Bank borrowings	20	-		217,998	
TOTAL NON-CURRENT LIABILITIES			<u>-</u>		<u>217,998</u>
TOTAL LIABILITIES			<u>3,675,919</u>		<u>3,276,368</u>
TOTAL NET ASSETS			<u>2,599,879</u>		<u>2,426,350</u>
CAPITAL AND RESERVES					
ATTRIBUTABLE TO EQUITY					
HOLDERS OF THE PARENT					
Share capital	22		307,826		307,826
Share premium reserve	23		756,980		756,980
Capital redemption reserve	23		4,674		4,674
Foreign exchange reserve	23		52,864		-
Retained earnings	23		1,477,535		1,356,870
TOTAL EQUITY			<u>2,599,879</u>		<u>2,426,350</u>

The financial statements were approved by the Board of Directors and authorised for issue on 8th September 2008 and were signed on its behalf by:

P. Haining
Director

The notes on pages 15 to 45 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31st March 2008

	2008		2007	
	£	£	£	£
OPERATING ACTIVITIES				
Profit before taxation		424,442		556,170
Adjustments for:				
Depreciation		107,794		152,240
Amortisation		641		-
Loss on disposal of property, plant and equipment		579		17,847
Share based payment expense		9,753		7,633
Investment income		(397)		(2,326)
Finance costs		100,040		113,133
		-----		-----
Profit from operations before changes in working capital and provisions		642,852		844,697
Increase in inventories	(293,042)		(167,921)	
Decrease/(increase) in trade and other receivables	441,248		(543,375)	
Increase in trade payables	159,829		43,685	
		-----		-----
		308,035		(667,611)
		-----		-----
Cash generated from operations		950,887		177,086
Income taxes paid	(92,352)		(39,955)	
Income taxes repaid	941		42,112	
		-----		-----
		(91,411)		2,157
		-----		-----
Cash flow from operating activities		859,476		179,243
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(67,310)		(188,808)	
Purchase of computer software	(38,477)		-	
Proceeds of sales from property, plant and equipment	13,499		49,444	
Acquisition of subsidiary, net of cash acquired	(448,710)		-	
Interest received	397		2,326	
		-----		-----
		(540,601)		(137,038)
		-----		-----
		318,875		42,205
FINANCING ACTIVITIES				
Repayment of bank borrowings	(335,809)		(262,270)	
Invoice discounting finance (net movement)	293,921		(142,730)	
Interest paid	(100,040)		(113,133)	
Dividend paid to equity shareholders	(169,304)		(61,565)	
		-----		-----
		(311,232)		(579,698)
		-----		-----
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (Note 28)		7,643		(537,493)
		-----		-----

The notes on pages 15 to 45 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS

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

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board as adopted by the European Union (“IFRSs”) and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRSs. This is mandatory for accounting periods beginning on or after 1st January 2007.

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

The only effect of the transition on the reported results has been the elimination of the amortisation of goodwill as a result of the prohibition of this charge imposed by IFRS 3. Consequently the goodwill on consolidation at 31st March 2007 is now carried in the balance sheet at its book value at 31st March 2006 of £1,660,878, and the amortisation charge of £91,553 in the accounts for the year ended 31st March 2007 has been eliminated. The effect has been to reduce administrative expenses and to increase net profit and retained earnings by this amount.

Basis of Consolidation

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

Business Combinations

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

Goodwill

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

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

Impairment of non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Intangible Assets (other than goodwill)

Intangible assets are recognised on business combinations if they are separable from the acquired entity or arise from other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see the section related to critical estimates and judgements below).

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight line basis over their useful economic lives. Cost includes all directly attributable costs of acquisition. The amortisation expense is included within the administration expense line in the consolidated income statement. Software is amortised over its useful economic life of 5 years, and UN licences are amortised over their expected useful life of 10 years from the date of original grant.

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

Revenue

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

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

Normal payment terms apply to the bill and hold arrangements.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs. The corresponding liability is recognised within provisions.

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

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

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

Leased assets

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

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

Inventories

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Deferred taxation

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

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

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

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

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

Pensions

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

Foreign currency

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

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

Research and development costs

Expenditure on internally developed products is capitalised if it can be demonstrated that:

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

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

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

None of the development costs during the years ended 31st March 2007 and 31st March 2008 met the conditions necessary for capitalisation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Dividends

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

Financial assets

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

Fair value through profit or loss: This category comprises only in-the-money derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement. 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 asset 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 balance sheet at fair value with changes in fair value recognised in the income statement.

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 balance sheet. "Interest expense" in this context includes initial transaction costs and premia payable on redemption, as well as any interest while the liability is outstanding.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Shared based payment

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated income statement 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 failure to achieve a market vesting condition.

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

Standards, amendments and interpretations to published standards not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st April 2008 or later periods and which the Group has decided not to adopt early. These are:

- *IFRS 8, Operating Segments* (effective for accounting periods beginning on or after 1st January 2009). This standard sets out requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It replaces IAS 14, Segmental Reporting. The Group expects to apply this standard in the accounting period beginning on 1 April 2009. As this is a disclosure standard it will not have any impact on the results or net assets of the Group.
- *Amendment to IFRS 2, Share-based payments: vesting conditions and cancellations* (effective for accounting periods beginning on or after 1st January 2009). Management is currently assessing the impact of the Amendment on the accounts.
- *Amendment to IAS 1, Presentation of financial statements: a revised presentation* (effective for accounting periods beginning on or after 1st January 2009). The revised IAS 1 introduces a single "statement of comprehensive income" incorporating both the profits and losses that have traditionally been reported in the income statement and other gains and losses that are currently reported in the Statement of Recognised Income and Expense or the Statement of Changes in Equity. As this is a disclosure standard it will not have any impact on the results or net assets of the Group.
- *Revised IFRS 3, Business Combinations and complementary Amendments to IAS 27, 'Consolidated and separate financial statements'* (both effective for accounting periods beginning on or after 1st July 2009). This revised standard and amendments to IAS 27 are still to be endorsed by the EU. The revised IFRS 3 and amendments to IAS 27 arise from a joint project with the Financial Accounting Standards Board (FASB), the US standards setter, and result in IFRS being largely converged with the related, recently issued, US requirements. There are certain very significant changes to the requirements of IFRS, and options available, if accounting for business combinations. Management is currently assessing the impact of revised IFRS 3 and amendments to IAS 27 on the accounts.
- *IFRIC 12 'Service concession arrangements', IFRIC 13 'Customer loyalty programmes', IFRIC 14 'IAS 19 – The limit on a defined benefit asset, minimum funding, requirements and their interaction', Amendment to IAS 23 'Borrowing and Amendments to IAS 32 and IAS 1 'Puttable Financial Instruments and Obligations Arising on Liquidation'* will not have a material impact on the financial statements of the Group.
- *Improvements to IFRS* (effective for accounting periods beginning on or after 1st July 2009). This improvements project is still to be endorsed by the European Union (EU). The amendments take various forms, including the clarification of the requirements of IFRS, the elimination of inconsistencies between Standards and a restructuring of IFRS 1 First-time Adoption of IFRS. Amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate (effective for accounting periods beginning on or after 1st January 2009). These amendments are still to be endorsed by the EU.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS (continued)

Standards, amendments and interpretations to published standards not yet effective (continued)

Improvements to IFRS (continued) The amendments permit the entity at its date of transition to IFRSs in its separate financial statements to use a deemed cost to account for its investment in subsidiary, jointly-controlled entity or associate. The deemed cost of such investment could be either the fair value of the investment at the date of transition, which would be determined in accordance with IAS 39 Financial Instruments: Recognition and Measurement or; the carrying amount of the investment under the previous GAAP at the date of transition. These changes would have no material effect on the financial statements of the Group.

- *IAS 23, Borrowing Costs (revised)* (effective for accounting periods beginning on or after 1st January 2009). The revised IAS 23 is still to be endorsed by the EU. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to qualifying assets, broadly being assets that take a substantial period of time to get ready for use or sale. This revision will have no material impact on the financial statements of the Group.
- *Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidations* (effective for accounting periods beginning on or after 1st January 2009). This amendment is still to be endorsed by the EU. The amendments result in certain types of financial instrument that meet the definition of a liability, but represent the residual interest in the net assets of the entity, being classified as equity. These amendments will have no material impact on the financial statements of the Group.

Critical Accounting Judgements and Estimates

The Group's principal accounting policies are set out above. Management is required to exercise significant judgement and make use of estimates and assumptions in the application of these policies. Areas which Management believes require the most critical accounting judgements are:

Impairment of receivables

At each balance sheet date, each subsidiary evaluates the collectability of trade receivables and records provisions for impairment based on experience including, for example, comparisons of the relative age of accounts and consideration of actual write-off history. The actual level of debt collected may differ from the estimated levels of recovery, which could impact on operating results positively or negatively.

Inventory provisions

At each balance sheet date, each subsidiary evaluates the recoverability of inventories and records provisions against these based on an assessment of net realisable values. The actual net realisable value of inventory may differ from the estimated realisable values, which could impact on operating results positively or negatively.

Impairment of intangible assets

In line with IAS 36 the Group is required to test the carrying value of goodwill, at least annually, for impairment. As part of this review process the recoverable amount of goodwill is determined using value in use calculations, which requires estimates for future cash flows and as such is subject to estimates and assumptions. Further details are contained in note 14 of the financial statements.

Development costs

The Group is engaged in the development of new products and processes the costs of which are capitalised as intangible assets or tangible fixed assets if, in the opinion of Management, there is a reasonable expectation of economic benefits being achieved. The factors considered in making these judgements include the likelihood of future orders and the anticipated volumes, margins and duration associated with these. In the years under review no development costs were capitalised or there were no projects where there were expected to be future economic benefits due to uncertainty as to the markets for new products

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

2. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Reconciliations and explanatory notes on how the transition to IFRS has affected profit and net assets previously reported under UK Generally Accepted Accounting Principles are given below:

Income statement reconciliation for the year ended 31st March 2007

	Sub- note	UK GAAP £'000	Adjustments £'000	IFRS £'000
Revenue		12,369,904	-	12,369,904
Cost of sales		(8,784,024)	-	(8,784,024)
Gross profit		3,585,880	-	3,585,880
Distribution costs		(1,356,520)	-	(1,356,520)
Administrative expenses	i	(1,653,936)	91,553	(1,562,383)
Profit from operations		575,424	91,553	666,977
Finance costs		(113,133)	-	(113,133)
Finance income		2,326	-	2,326
Profit before tax		464,617	91,553	556,170
Tax expense		(94,865)	-	(94,865)
Profit attributable to the equity holders of the parent		369,752	91,553	461,305

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2008 (continued)

2. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

Balance sheet reconciliation as at 31st March 2007

	Sub- note	UK GAAP £'000	Adjustments £'000	IFRS £'000
Property, plant and equipment		342,838	-	342,838
Intangible assets	i	1,569,325	91,553	1,660,878
		<hr/>	<hr/>	<hr/>
Total non-current assets		1,912,163	91,553	2,003,716
		<hr/>	<hr/>	<hr/>
Current assets				
Inventories		1,249,419	-	1,249,419
Trade and other receivables		2,365,117	-	2,365,117
Cash and cash equivalents		84,466	-	84,466
		<hr/>	<hr/>	<hr/>
		3,699,002	-	3,699,002
		<hr/>	<hr/>	<hr/>
Total assets		5,611,165	91,553	5,702,718
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Current liabilities				
Bank overdraft		555,640	-	555,640
Trade and other payables		1,645,082	-	1,645,082
Bank borrowings		762,783	-	762,783
Corporation tax liabilities		94,865	-	94,865
		<hr/>	<hr/>	<hr/>
Total current liabilities		3,058,370	-	3,058,370
		<hr/>	<hr/>	<hr/>
Non-current liabilities				
Bank borrowings		217,998	-	217,998
		<hr/>	<hr/>	<hr/>
Total non-current liabilities		217,998	-	217,998
		<hr/>	<hr/>	<hr/>
Total liabilities		3,276,368	-	3,276,368
		<hr/>	<hr/>	<hr/>
TOTAL NET ASSETS AND EQUITY		2,334,797	91,553	2,426,350
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

There was no change to the balance sheet at 1st April 2006.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

2. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)*Adjustments*

Explanations of the adjustments made to the UK GAAP income statement and balance sheets are as follows:

Sub-note	Explanation
i	Elimination of amortisation of goodwill as a result of the prohibition of the charge imposed by IFRS 3. The carrying value of capitalised goodwill at 31st March 2006 that arose on business combinations accounted for using the acquisition method under UK GAAP was frozen at this amount and tested for impairment at 1st April 2006.
ii	Expenditure on research and development did not meet the conditions for capitalisation.
iii	Business combinations before 1st April 2006 have not been restated.
iv	IFRS 2 "Share-based payments" has been applied to employee options granted after 7th November 2002 that had not vested by 1st April 2006.
v	IAS 39 permits derivatives to be measured at fair value through the profit and loss account. Under UK GAAP these were previously carried at cost. There is no material impact on the accounts as a result of this change in accounting policy.
vi	Under IAS 12 deferred tax is required to be provided in full on all differences between the carrying values for accounts purposes and those for taxation. Under UK GAAP, FRS 19 requires deferred tax to be provided on all timing differences that have originated but not reversed by the balance sheet date. There is no material impact on the accounts as a result of this change of policy.

Cash flow statement for the year ended 31st March 2007

The only changes to the cash flow statement are presentational. The key ones include:

- Presenting a statement showing movements in cash and cash equivalents, rather than just cash. Cash under UK GAAP comprised only amounts accessible in 24 hours without penalty less overdrafts repayable on demand. The components of cash equivalents are shown in note 28.
- Classifying tax cash flows as relating to operating activities.
- Classifying equity dividends as relating to financing activities.

3. REVENUE

Revenue arises from:

	2008	2007
	£	£
Sale of goods	10,688,925	12,271,643
Provision of services	35,408	98,261
	<hr/>	<hr/>
	10,724,333	12,369,904
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

4. PROFIT FROM OPERATIONS

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

	2008	2007
	£	£
Staff costs (see note 5)	1,844,172	1,851,928
Employment termination costs (included in staff costs)	57,863	6,127
Depreciation of property, plant and equipment	107,794	152,240
Amortisation of computer software	641	-
Loss on disposal of property, plant and equipment	579	17,847
Goodwill impairment charge	-	-
Auditors' remuneration:		
Audit services	38,670	43,794
Non-audit services	-	8,818
Operating lease rentals:		
Plant and machinery	24,724	26,981
Other	108,140	128,881
Research and development costs	94,422	89,448
Foreign exchange differences	(155,408)	(72,824)
	<hr/>	<hr/>

Included in audit fees is an amount of £1,000 (2007: £1,000) in respect of the Company. Additional, non-audit services in relation to the acquisition of RZ Pressure Instruments SARL of £Nil (2007: £8,818) arose and have been capitalised and added to the goodwill figure on consolidation.

5. STAFF COSTS

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

	2008	2007
	£	£
Wages and salaries	1,663,748	1,673,018
Social security costs	180,424	178,910
Other pension costs	-	-
	<hr/>	<hr/>
	1,844,172	1,851,928
	<hr/>	<hr/>

Wages and salaries include termination costs of £57,863 (2007: £6,127)

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

	2008	2007
	Number	Number
Selling and distribution	25	25
Manufacturing	15	15
Management and administration	22	23
	<hr/>	<hr/>
	62	63
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

6. DIRECTORS' EMOLUMENTS, INTERESTS AND SERVICES CONTRACTS

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

	Salary	Fees	Benefits in kind	Total	Pension contribs	Share based payments
	£	£	£	£	£	£
31st March 2008						
Executive Directors						
W G Marsh	12,000	-	4,000	16,000	-	-
G S Marsh	95,000	-	11,000	106,000	-	4,877
J M Lavery	85,000	-	16,000	101,000	-	4,876
Non-executive Directors						
P Haining	-	12,000	-	12,000	-	-
L C A Newnham	-	12,000	-	12,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	192,000	24,000	31,000	247,000	-	9,753
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31st March 2007						
Executive Directors						
W G Marsh	12,000	-	4,000	16,000	-	-
G S Marsh	97,000	-	10,000	107,000	-	3,816
J M Lavery	92,000	-	16,000	108,000	-	3,817
Non-executive Directors						
P Haining	-	12,000	-	12,000	-	-
L C A Newnham	-	12,000	-	12,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	201,000	24,000	30,000	255,000	-	7,633
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

	2008	2007
	£	£
W G Marsh	24,000	24,000
	<hr/>	<hr/>

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

In addition to the above, fees totalling £47,825 (2007: £53,260) arose during the year in respect of accountancy services provided by The Kings Mill Partnership, a firm of which P Haining is a partner. A balance of £9,470 (2007: £12,055) was due to The Kings Mill Partnership at 31st March 2008. The fees for the year ended 31st March 2008 included £2,300 which relates to the purchase of RZ Pressure Instruments Supply SARL. These costs have been capitalised in investments in the Company and added to the goodwill on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

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

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

The Directors of the Company on 8th September 2008 and at the balance sheet date, and their interest in the issued ordinary share capital of the Company at that date, at 31st March 2008 and 31st March 2007 or date of appointment if later, were as follows:

	08.09.08	31.03.08	31.03.07
W G Marsh	1,700,500	1,700,500	1,700,500
G S Marsh	73,420	73,420	73,154
J M Lavery	569	569	23
P Haining	12,500	12,500	12,500
L C A Newnham	10,000	10,000	10,000

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

	Options held at 1st Apr 2007		Lapsed	Granted	Options held at 31st Mar 2008	Subscription price	Date of Grant	Exercise Period
G S Marsh	160,000	160,000	-	-	-	60.5p	29.09.03	Sept 2005- Sept 2013
	-	-	-	317,460	317,460	31.5p	22.01.08	Jan 2009 onwards
J M Lavery	80,000	80,000	-	-	-	60p	01.07.02	Jul 2004 – Jul 2013
	80,000	80,000	-	-	-	60.5p	29.09.03	Sept 2005-Sept 2013
	-	-	-	317,460	317,460	31.5p	22.01.08	Jan 2009 onwards

The market price of the shares at 31st March 2008 was 28.5p (2007: 30.5p), with a quoted range during the year of 28.5p to 56.5p. No director exercised any share options during the year, or in the prior year.

7. FINANCE INCOME

	2008	2007
	£	£
Bank deposit interest receivable	-	889
Other interest receivable	97	937
Government electronic filing incentives	300	500
	<hr/>	<hr/>
	397	2,326
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

8. FINANCE COSTS

	2008	2007
	£	£
Bank borrowings	71,756	80,676
Invoice discounting interest	21,283	32,457
Other interest	7,001	-
	<hr/>	<hr/>
	100,040	113,133
	<hr/>	<hr/>

9. TAX EXPENSE

	2008	2007
	£	£
UK corporation tax and income tax of overseas operations on profits or losses for the year	93,875	94,865
Adjustment in respect of prior periods	(2,513)	-
	<hr/>	<hr/>
	91,362	94,865
	<hr/>	<hr/>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax is the UK applied to profits for the year are as follows:

	2008	2007
	£	£
Profit before tax	424,442	556,170
	<hr/>	<hr/>
Expected tax charge based on the standard rate of corporation tax in the UK of 30% (2007 – 30%)	127,333	166,851
Effect of:		
Expenses not deductible for tax purposes	6,597	8,627
Deductible expenses not charged in Group accounts	(9,738)	-
Depreciation for the year in excess of capital allowances	1,370	9,382
Utilisation of tax losses	(5,085)	(71,800)
Marginal relief	(3,758)	(4,630)
Enhanced relief on research and development expenditure	(14,164)	(13,415)
Non-taxable government incentive received	(90)	(150)
Different tax rates and rules applied in overseas jurisdictions	(8,590)	-
Adjustment to enhanced relief on research and development expenditure in prior year	(2,513)	-
	<hr/>	<hr/>
	91,362	94,865
	<hr/>	<hr/>

Deferred tax has not been provided as it is not material

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

10. EARNINGS PER SHARE

	2008	2007
	£	£
The earnings per share is based on the following:		
Earnings	330,080	461,305
	<hr/>	<hr/>
Weighted average number of shares	6,156,511	6,156,511
Diluted number of shares	6,156,511	6,156,511
Earnings per share	5.4p	7.5p
Diluted earnings per share	5.4p	7.5p

Earnings per ordinary share has been calculated using the weighted average number of shares in issue during the year. The weighted average number of equity shares in issue was 6,156,511 (2007: 6,156,511).

The Diluted earnings per share is based on 6,156,511 (2007: 6,156,511) ordinary shares which allow for the exercise of all dilutive potential ordinary shares.

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

The number of shares included in the option agreement which have not been included in the calculation of the weighted average number of shares was 380,231 (2007: 320,000).

11. DIVIDENDS

	2008	2007
	£	£
Final dividend paid for the prior year of 2p per share (2007: nil)	123,130	-
Interim dividend paid of 0.75p per share (2007: 1p)	46,174	61,565
	<hr/>	<hr/>
	169,304	61,565
	<hr/>	<hr/>
Final dividend proposed for the year 1.25p per share (2007: 2p)	76,956	123,130
	<hr/>	<hr/>

The proposed final dividend has not been accrued for as the dividend was declared after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2008 (continued)

12. TANGIBLE FIXED ASSETS

	Short leasehold property improvements £	Motor vehicles £	Fittings, equipment and computers £	Total £
Year ended 31st March 2007				
Cost				
1st April 2006	337,852	226,195	829,390	1,393,437
Additions	1,699	159,806	27,303	188,808
Disposals	(84,375)	(127,007)	(13,563)	(224,945)
31st March 2007	255,176	258,994	843,130	1,357,300
Depreciation				
1st April 2006	287,809	75,822	656,244	1,019,875
Charge for the year	34,549	49,659	68,032	152,240
On disposal	(84,375)	(60,116)	(13,162)	(157,653)
31st March 2007	237,983	65,365	711,114	1,014,462
Net book value 31st March 2007	17,193	193,629	132,016	342,838
31st March 2006	50,043	150,373	173,146	373,562
Year ended 31st March 2008				
Cost				
1st April 2007	255,176	258,994	843,130	1,357,300
Additions	-	57,076	10,234	67,310
Acquisition of subsidiary	-	-	256	256
Disposals	-	(36,829)	(256)	(37,085)
31st March 2008	255,176	279,241	853,364	1,387,781
Depreciation				
1st April 2007	237,983	65,365	711,114	1,014,462
Charge for the year	17,193	51,967	38,634	107,794
On disposal	-	(23,009)	-	(23,009)
31st March 2008	255,176	94,323	749,748	1,099,247
Net book value 31st March 2008	-	184,918	103,616	288,534

There were no capital commitments at 31st March 2007 and 31st March 2008.

Disposals of motor vehicles in the year ended 31st March 2007 include one vehicle purchased from the Company by Mr G S Marsh for a consideration of £12,600. This represented the open market value. No amounts were outstanding at the year end.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2008 (continued)

13. INTANGIBLE ASSETS

Year ended 31st March 2007	UN Licences £	Computer software £	Goodwill on consolidation £	Total £
Cost				
1st April 2006 and 31st March 2007	-	-	1,660,878	1,660,878
Amortisation				
1st April 2006 and 31st March 2007	-	-	-	-
Net book value				
31st March 2007	-	-	1,660,878	1,660,878
31st March 2006	-	-	1,660,878	1,660,878
Year ended 31st March 2008				
Cost				
1st April 2007	-	-	1,660,878	1,660,878
Additions	9,800	38,477	331,859	380,136
31st March 2008	9,800	38,477	1,992,737	2,041,014
Amortisation				
1st April 2007	-	-	-	-
Charge for the year	-	641	-	641
31st March 2008	-	641	-	641
Net book value				
31st March 2008	9,800	37,836	1,992,737	2,040,373

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

14. GOODWILL AND IMPAIRMENT

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

	Goodwill carrying amount	
	2008	2007
	£	£
Steatite Limited	893,214	561,355
Wordsworth Technology Limited	1,099,523	1,099,523
	<hr/>	<hr/>
	1,992,737	1,660,878
	<hr/>	<hr/>

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 19% has been used based on the working average cost of capital and a future growth rate of 2.25% has been assumed beyond the first year for which the projection is based on the budget approved by the board of directors. The future growth rate has been applied for the next four years. It has been assumed investment in capital equipment will equate to depreciation over this period. The discount rate was based on the group's "beta" which is a measure of the volatility of the share price against the market. This amounts to 0.94.

The recoverable amount exceeds the carrying amount by £863,000. If any one of the following changes were made to the above key assumptions, the carrying amount would still exceed the recoverable amount.

Discount rate: Increase from 19% to 22%

Growth rate: Reduction from 2.25% to 1.75%

15. SUBSIDIARIES

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

Subsidiary undertakings	Country of Incorporation	Proportion of voting rights and Ordinary share capital held	Nature of business
Solid State Supplies Limited	Great Britain	100%	Distribution of electronic components
Steatite Limited	Great Britain	100%	Distribution of electronic components and manufacture of electronic equipment
Wordsworth Technology Limited	Great Britain	100%	Distribution of industrial computing equipment and manufacture of electronic equipment
RZ Pressure Instruments Supply SARL	Switzerland	100%	Dormant
SSS Highway Technologies Limited	Great Britain	100%	Dormant

In all cases, except for RZ Pressure Instruments Supply SARL, the country of operation and of incorporation or registration is England.

16. INVENTORIES

	2008	2007
	£	£
Finished goods and goods for resale	1,324,017	1,195,220
Work in progress	238,815	54,199
	<hr/>	<hr/>
	1,562,832	1,249,419
	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

17. TRADE AND OTHER RECEIVABLES

	2008	2007
	£	£
Trade receivables	1,965,616	2,267,797
Other receivables	13,676	800
Prepayments	64,577	96,520
	<hr/>	<hr/>
	2,043,869	2,365,117
	<hr/>	<hr/>

Group trade receivables include £1,082,559 (2007: £1,388,462) which are subject to an invoice discounting agreement. Under this agreement, borrowing equal to 85% of the relevant book debts can be taken with interest charged at 1.3% over bank base rate and an administration fee of 0.15% of the gross value of debts per month. At 31st March 2008 borrowing under the agreement of £920,175 (2007: £1,144,886) was available of which £722,556 (2007: £428,635) was taken up leaving unused borrowing facilities of £197,619 (2007: £716,251). Interest charges in the year amounted to £21,283 (2007: £32,457) and administration fees to £12,400 (2007: £14,993).

18. TRADE AND OTHER PAYABLES

	2008	2007
	£	£
Trade payables	1,416,357	1,128,386
Other taxes and social security taxes	258,797	370,114
Other payables	38,204	3,179
Accruals	90,890	141,572
Dividends payable	22,186	1,831
	<hr/>	<hr/>
	1,826,434	1,645,082
	<hr/>	<hr/>

19. BANK BORROWINGS

	2008	2007
	£	£
Bank loans (secured)	216,337	334,148
Amounts due to invoice discounters	722,556	428,635
	<hr/>	<hr/>
	938,893	762,783
	<hr/>	<hr/>

The bank loan and overdraft are 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 £nil (2007: £128,826) which enables flexibility in the management of liquidity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

20. NON-CURRENT BANK BORROWING

	2008	2007
	£	£
Bank loans (secured)	-	217,998
	<hr/>	<hr/>
	-	217,998
	<hr/>	<hr/>
Bank loan repayments are due:		
In more than one year but not more than two years	-	217,998
In more than two years but not more than five years	-	-
	<hr/>	<hr/>
	-	217,998
	<hr/>	<hr/>

There are two bank loans. The first was for £750,000 taken out in May 2002 and repayable by instalments over seven years. The second loan was for £500,000 taken out in August 2005 and repayable by instalments over three years. The loans are secured by a fixed and floating charge over the assets of the Company and the Group.

21. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

21. 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 balance sheet as shown in note 17. The amount of the total exposure shown in note 17 is stated net of provisions for doubtful debts.

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

Foreign currency risk

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

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

Liquidity risk

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

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

Cash flow interest rate risk

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

Credit risk

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

	Loans and Receivables	
	2008	2007
Current financial assets	£	£
Trade and other receivables	2,043,869	2,365,117
Cash and cash equivalents	340,190	84,466
	-----	-----
	2,384,059	2,449,583
	-----	-----

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

21. FINANCIAL INSTRUMENTS (continued)

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

	Carrying value	
	2008	2007
	£	£
UK	1,879,272	2,301,638
Non UK	164,597	63,479
	-----	-----
	2,043,869	2,365,117
	-----	-----

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 £38,000 which represented less than 0.36% of revenue. This provision is included within the distribution costs in the Consolidated Income Statement.

Trade receivables ageing by geographical segment

Geographical area	Total £	Current £	30 days past due £	60 days past due £	90 days past due £
2008					
UK	2,010,736	1,818,335	115,833	7,000	69,568
Non UK	164,597	100,944	63,490	-	163
	-----	-----	-----	-----	-----
Total	2,175,333	1,919,279	179,323	7,000	69,731
Less: Provisions	(131,464)	-	(54,733)	(7,000)	(69,731)
	-----	-----	-----	-----	-----
Total	2,043,869	1,919,279	125,490	-	-
	-----	-----	-----	-----	-----
2007					
UK	2,421,120	2,201,722	146,596	34,133	38,669
Non UK	63,479	49,496	6,156	2,556	5,271
	-----	-----	-----	-----	-----
Total	2,484,599	2,251,218	152,752	36,689	43,940
Less: Provisions	(119,482)	-	(38,853)	(36,689)	(43,940)
	-----	-----	-----	-----	-----
Total	2,365,117	2,251,218	113,899	-	-
	-----	-----	-----	-----	-----

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

21. 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:

	2008	2007
	£	£
Opening balance	119,482	76,446
Increases in provisions	38,000	57,000
Written off against provisions	(26,018)	(13,964)
	<hr/>	<hr/>
	131,464	119,482
	<hr/>	<hr/>

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 above table, at 31st March 2008 trade receivables of £125,490 which were past their due date were not impaired (2007: £113,899). All of these were less than 60 days past their due date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

21. FINANCIAL INSTRUMENTS (continued)*Liquidity risk*

Current financial Liabilities	Financial liabilities measured at amortised cost	
	2008	2007
	£	£
Trade and other payables	1,826,434	1,645,082
Bank borrowings	938,893	762,783
Bank overdraft	803,721	555,640
	<hr/>	<hr/>
	3,569,048	2,963,505
	<hr/>	<hr/>
Non current financial Liabilities		
Loans and borrowings	-	217,998
	<hr/>	<hr/>

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

2008	Carrying amount	Contractual cash flow	6 months or less	6 – 12 months	1 – 2 years	2 or more Years
Secured bank loans	216,337	227,803	162,329	65,474	-	-
Bank overdrafts	803,721	803,721	803,721	-	-	-
Amounts due to invoice						
Discounters	722,556	722,556	722,556	-	-	-
Trade and other payables	1,933,305	1,933,305	1,826,434	106,871	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	3,675,919	3,687,385	3,515,040	172,345	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
2007						
Secured bank loans	552,146	593,956	185,684	180,469	227,803	-
Bank overdrafts	555,640	555,640	555,640	-	-	-
Amounts due to invoice						
discounters	428,635	428,635	428,635	-	-	-
Trade and other payables	1,739,947	1,739,947	1,645,082	94,865	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	3,276,368	3,318,178	2,815,041	275,334	227,803	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Interest rate risk

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

The Group bank loan with HSBC plc incurs interest at the rate of 1.3% over the HSBC's base rate and bank overdraft with HSBC plc incurs interest at the rate of 1.3% over the HSBC's base rate. The Group is affected by changes in the UK interest rate.

Details of interest payable under the invoice discounting agreement are stated in Note 17.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

21. FINANCIAL INSTRUMENTS (continued)*Interest rate risk (continued)*

The US Dollar overdraft facility bears the interest rate of 1.3% over the HSBC's US dollar base rate and is therefore affected by changes in the US interest rate.

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

In terms of sensitivity, if the HSBC base rate had been 1% higher throughout the year the level of interest payable would have been £14,630 (2007: £18,519) higher and if 1% lower throughout the year the level of interest payable would have been lower by the same amounts.

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 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 balance sheet date.

The following table shows the net liabilities exposed to exchange rate risk that the Group has at 31st March 2008:

	2008	2007
	£	£
Trade receivables	416,594	233,514
Cash and cash equivalents	157,272	28,809
Trade payables	(593,252)	(388,060)
	<hr/>	<hr/>
	(19,386)	(125,737)
	<hr/>	<hr/>

There were also net liabilities of £34,074 in euros (2007: £10,938), net liabilities of £Nil in Japanese yen (2007: £14,356) and net liabilities of £8,109 in Swiss francs. (2007: £Nil)

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

The effect of a strengthening of 10% in the rate of exchange in the currencies against sterling at the balance sheet date would have resulted in an estimated net decrease in pre-tax profit for the year and a decrease in net assets of approximately £6,800 (2007: £16,800) and the effect of a weakening of 10% in the rate of exchange in the currencies against sterling at the balance sheet date would have resulted in an estimated net increase in pre-tax profit for the year and an increase in net assets of approximately £6,200 (2007: £15,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

21. FINANCIAL INSTRUMENTS (continued)*Foreign currency risk (continued)*

At 31st March 2007 the Group had entered into agreements with its bankers to purchase US dollars as follows:

	\$	Rate
2nd April 2007	150,000	1.9609
16th April 2007	350,000	1.95 – 1.9904
1st May 2007	150,000	1.9609
1st May 2007	100,000	1.9675
15th May 2007	250,000	1.9675
1st June 2007	150,000	1.9608

At 31st March 2008 the Group had entered into agreement with its bankers to purchase US dollars as follows:

1st April 2008	100,000	2.0055
15th April 2008	300,000	1.97
1st May 2008	100,000	2.00-2.05
15th May 2008	50,000	1.9985
2nd June 2008	100,000	2.00-2.05
16th June 2008	50,000	1.9930

Applying the actual exchange rate at the balance sheet date to these agreements gives rise to a liability of £1,396 at 31st March 2008 and to an asset of £69 at 31st March 2007. In view of the immaterial nature of these amounts, no adjustment has been made in the financial statements.

Capital under management

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

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

The Group's gearing ratio at 31st March 2008 is shown below:

	2008 £	2007 £
Cash and cash equivalents	(340,190)	(84,466)
Bank overdrafts	803,721	555,640
Bank loans	216,337	552,146
Invoice discounting advance	722,556	428,635
	<hr/>	<hr/>
	1,402,424	1,451,955
	<hr/>	<hr/>
Share capital	307,826	307,826
Share premium account	756,980	756,980
Retained earnings	1,477,535	1,356,870
Capital redemption reserve	4,674	4,674
Foreign exchange reserve	52,864	-
	<hr/>	<hr/>
	2,599,879	2,426,350
	<hr/>	<hr/>
Gearing ratio	0.278	0.177
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

22. SHARE CAPITAL

	2008	2007
	£	£
Authorised 9,000,000 ordinary shares of 5p each	450,000	450,000
Allotted issued and fully paid 6,156,511 ordinary shares of 5p each	307,826	307,826

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

Details of options granted are set out in Note 6. At 31st March 2008 the number of shares covered by option agreements amounted to 634,920 (2007: 320,000).

No options were exercised in the year (2007: nil).

23. RESERVES

Full details of movements in reserves are set out in the consolidated statement of changes in equity on page 12.

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

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

24. LEASING COMMITMENTS

At 31st March 2008 the Group had future commitments under operating leases as follows:

	2008	2007
	£	£
Group Buildings:		
Leases expiring in less than one year	46,933	97,933
Leases expiring in one to five years	105,000	-
Plant and machinery:		
Leases expiring in less than one year	9,117	6,315
Leases expiring in one to five years	6,264	29,806

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

25. SHARE BASED PAYMENT

The Group operates an approved Enterprise Management Incentive Scheme whereby Mr G S Marsh and Mr J M Lavery have been granted options to purchase shares in Solid State PLC at a subscription price which was not less than the market value at the time the option was granted. The options in place at 31st March 2008 all have an exercise period of any time after one year from the date of the grant subject to the Group share price having equalled or exceeded 50p per share at the close of business on 20 consecutive business days.

The options in place at 31st March 2007 comprised an option granted on 29th September 2003 to purchase 160,000 to Mr G S Marsh at an exercise price of 60.5p, an option granted on 1st July 2002 to purchase 80,000 to Mr J M Lavery at an exercise price of 60p and an option granted on 29 September 2003 to Mr J M Lavery to purchase 80,000 at an exercise price of 60.5p. All these options were cancelled on 22nd January 2008, when the new options were granted. In accordance with the transitional provisions of FRS 20, Share-based payment, the standard was applied retrospectively to grants of equity instruments after 7th November 2002 that were unvested as of 1st April 2005 and all liabilities for share based transactions existing at 1st April 2005.

None of the options have been exercised since the scheme was put into place. Details of the current options are stated in Note 6.

The share-based remuneration expenses amounted to £9,753 for the year (2007: £7,633).

The following information is relevant to the determination of the fair value of the options. The 2008 details relate to options that were granted during the year and the 2007 details relate to options which were in place at 31st March 2007 but were cancelled on 22nd January 2008.

	2008	2007
Equity settled share based payments		
Option pricing model used	Binominal Tree	Black - Scholes
Weighted average share price at grant date	31.5p	60.5p
Exercise price	31.5p	60.5p
Weighted average contractual life	1.2 years	4.0 years
Expected volatility	78.52%	45.00%
Expected dividend growth rate	-	-
Risk free interest rate	4.31%	4.30%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the twelve months prior to the date of the grant.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

26 ACQUISITIONS DURING THE PERIOD

On 3rd November 2007 the Group acquired 100% of the voting equity instruments of RZ Pressure Instruments Supply SARL, a company incorporated in Switzerland whose principal activity was the manufacture and supply of industrial batteries. During December 2007 the business was transferred to Redditch where it is now operating as a division of Steatite Limited.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	£
Fair value of assets acquired	
UN licences	9,800
Property, plant and equipment	256
Inventories	20,371
Receivables	120,000
Cash	176,009
Payables	(21,521)
Tax liabilities	(12,055)
	<hr/>
	292,860
	<hr/>
Consideration paid	
Cash	577,048
Cost of acquisition	47,671
	<hr/>
	624,719
	<hr/>
Goodwill	331,859
	<hr/>

At 31st March 2008, £37,511 of the cash consideration remained outstanding.

In all cases, apart from the UN licences, which were not recognised in the company records, the book value of assets and liabilities was the same as the fair values.

The main factors leading to the recognition of goodwill are the anticipated synergistic cost savings resulting from the amalgamation of the business with the battery division of Steatite Limited.

Since the acquisition date, RZ Pressure Instruments Supply SARL has contributed £4,265 to Group profit. It has not been practical to quantify the effect on Group profit if the acquisition date had been 1st April 2007 or the revenue of the combined entity on the same basis as the company did not have 31st March as an accounting reference date and did not produce periodic management accounts which could be used for this purpose.

27. RELATED PARTY DISCLOSURES

The only related party disclosures for both the Group and the Company are stated in Note 6 and Note 12.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2008 (continued)

28. NOTES SUPPORTING CASH FLOW STATEMENT

Cash and cash equivalents comprise:

	2008	2007
	£	£
Cash available on demand	340,190	84,466
Overdrafts	(803,721)	(555,640)
	<hr/>	<hr/>
	(463,531)	(471,174)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	7,643	(537,493)
Cash and cash equivalents at beginning of year	(471,174)	66,319
	<hr/>	<hr/>
Cash and cash equivalents at end of year	(463,531)	(471,174)
	<hr/>	<hr/>

There were no significant non-cash transactions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

29. SEGMENT INFORMATION

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

Year ended 31st March 2008

	Distribution division £	Manufacturing division £	Head office £	Total £
Revenue				
External	3,545,594	7,178,739	-	10,724,333
Intercompany	-	142,335	-	142,335
	<hr/>	<hr/>	<hr/>	<hr/>
	3,545,594	7,321,074	-	10,866,668
	<hr/>	<hr/>	<hr/>	<hr/>
Profit/(loss) before tax	(78,374)	715,816	(213,000)	424,442
	<hr/>	<hr/>	<hr/>	<hr/>
Balance sheet				
Assets	1,605,438	4,670,360	-	6,275,798
Liabilities	(1,880,237)	(1,502,307)	(293,375)	(3,675,919)
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets/(liabilities)	(274,799)	3,168,053	(293,375)	2,599,879
	<hr/>	<hr/>	<hr/>	<hr/>
Other				
Capital expenditure				
- Tangible fixed assets	10,234	57,076	-	67,310
- Intangible fixed assets	38,477	341,659	-	380,136
Depreciation, amortisation and other non cash expenses	58,432	88,582	-	147,014
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2008 (continued)

29. SEGMENT INFORMATION (continued)

Year ended 31st March 2007

	Distribution division	Manufacturing division	Head office	Total
	£	£	£	£
Revenue				
External	3,719,661	8,650,243	-	12,369,904
Intercompany	-	436,717	-	436,717
	<hr/>	<hr/>	<hr/>	<hr/>
	3,719,661	9,086,960	-	12,806,621
	<hr/>	<hr/>	<hr/>	<hr/>
Profit/(loss) before tax	49,377	684,793	(178,000)	556,170
	<hr/>	<hr/>	<hr/>	<hr/>
Balance sheet				
Assets	1,881,279	3,821,439	-	5,702,718
Liabilities	(1,794,900)	(1,130,486)	(350,982)	(3,276,368)
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets/(liabilities)	86,379	2,690,953	(350,982)	2,426,350
	<hr/>	<hr/>	<hr/>	<hr/>
Other				
Capital expenditure				
- Tangible fixed assets	131,750	57,058	-	188,808
- Intangible fixed assets	-	-	-	-
Depreciation, amortisation and other non cash expenses	71,805	155,282	-	227,087
	<hr/>	<hr/>	<hr/>	<hr/>

The Group's secondary reporting format for reporting segment information is geographic segments.

	External revenue by location of customer		Total assets by location of assets		Net tangible capital expenditure by location of assets	
	2008	2007	2008	2007	2008	2007
	£	£	£	£	£	£
United Kingdom	9,951,944	11,604,721	6,159,228	5,702,718	53,811	139,364
Europe	561,843	663,798	116,570	-	-	-
North America	100,175	72,269	-	-	-	-
Asia	92,002	18,180	-	-	-	-
Africa	12,589	6,741	-	-	-	-
Australasia	5,780	1,635	-	-	-	-
South America	-	2,560	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	10,724,333	12,369,904	6,275,798	5,702,718	53,811	139,364
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

All the above relate to continuing operations.

COMPANY BALANCE SHEET
at 31st March 2008

	Notes	2008 £	2007 £
FIXED ASSETS			
Investments	4	2,464,056	1,879,474
		2,464,056	1,879,474
CURRENT ASSETS			
Debtors	5	-	447,789
		-	447,789
CREDITORS: Amounts falling due within one year	6	860,214	335,979
		(860,214)	118,810
NET CURRENT (LIABILITIES)/ASSETS			
		1,603,842	1,991,284
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: Amounts falling due after more than one year	7	-	217,998
		-	217,998
NET ASSETS			
		1,603,842	1,773,286
CAPITAL AND RESERVES			
Called up share capital	8	307,826	307,826
Share premium account	9	756,980	756,980
Capital redemption reserve	9	4,674	4,674
Profit and loss account	9	534,362	703,806
		1,603,842	1,773,286
SHAREHOLDERS' FUNDS			

The financial statements were approved by the Board of Directors and authorised for issue on 8th September 2008.

P Haining
Director

The notes on pages 47 to 50 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31st March 2008

1. ACCOUNTING POLICIES

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

Basis of preparation

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

Profit and loss account

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account. The loss for the year ended 31st March 2008 is disclosed in Note 9.

Foreign currencies

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

Investments in subsidiaries

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

Other financial liabilities

Other financial liabilities include the following items:

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

Shared based payment

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

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

2. STAFF COSTS

Staff costs amounted £9,753 (2007: £7,633) and comprised the share based payment expense. There were 3 employees (2007: 3), all of whom were executive directors and none of whom received any remuneration from the Company. No other remuneration was paid by the Company and the Directors receive their remuneration from subsidiary companies. Details of directors' emoluments are given in note 6 to the Group financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31st March 2008

3. SHARE BASED PAYMENT

The Group operates an approved Enterprise Management Incentive Scheme whereby Mr G S Marsh and Mr J M Lavery have been granted options to purchase shares in Solid State PLC at a subscription price which was not less than the market value at the time the option was granted. The options in place at 31st March 2008 all have an exercise period of any time after one year from the date of the grant subject to the Group share price having equalled or exceeded 50p per share at the close of business on 20 consecutive business days.

The options in place at 31st March 2007 comprised an option granted on 29th September 2003 to purchase 160,000 to Mr G S Marsh at an exercise price of 60.5p, an option granted on 1st July 2002 to purchase 80,000 to Mr J M Lavery at an exercise price of 60p and an option granted on 29 September 2003 to Mr J M Lavery to purchase 80,000 at an exercise price of 60.5p. All these options were cancelled on 22nd January 2008, when the new options were granted. In accordance with the transitional provisions of FRS 20, Share-based payment, the standard was applied retrospectively to grants of equity instruments after 7th November 2002 that were unvested as of 1st April 2005 and all liabilities for share based transactions existing at 1st April 2005.

None of the options have been exercised since the scheme was put into place. Details of the current options are stated in Note 6 of the consolidated financial statements.

The share-based remuneration expenses amounted to £9,753 for the year (2007: £7,633).

The following information is relevant to the determination of the fair value of the options. The 2008 details relate to options that were granted during the year and the 2007 details relate to options which were in place at 31st March 2007 but were cancelled on 22nd January 2008.

	2008	2007
Equity settled share based payments		
Option pricing model used	Binominal Tree	Black - Scholes
Weighted average share price at grant date	31.5p	60.5p
Exercise price	31.5p	60.5p
Weighted average contractual life	1.2 years	4.0 years
Expected volatility	78.52%	45.00%
Expected dividend growth rate	-	-
Risk free interest rate	4.31%	4.30%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the twelve months prior to the date of the grant.

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

4. INVESTMENTS

Company

	Group undertakings £
Cost	
1st April 2007	1,879,474
Additions	584,719
Disposals	(137)
	<hr/>
31st March 2008	2,464,056
	<hr/>
Net book value	
31st March 2008	2,464,056
	<hr/>
31st March 2007	1,879,474
	<hr/>

Subsidiary undertakings

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

Subsidiary undertakings	Proportion of voting rights and Ordinary share capital held	Nature of business
Solid State Supplies Limited	100%	Distribution of electronic components
Steatite Limited	100%	Distribution of electronic components and manufacture of electronic equipment
Wordsworth Technology Limited	100%	Distribution of industrial computing equipment and manufacture of electronic equipment
RZ Pressure Instruments Supply SARL	100%	Dormant
SSS Highway Technologies Limited	100%	Dormant

In all cases the country of operation and of incorporation or registration is England apart from RZ Pressures Instruments Supply SARL which is incorporated in Switzerland.

5. DEBTORS

	2008 £	2007 £
Amounts owed by Group undertakings	-	447,789
	<hr/>	<hr/>

6. CREDITORS: Amounts falling due within one year

	2008 £	2007 £
Bank loans (secured)	216,337	334,148
Amounts owed to Group undertakings	584,180	-
Other creditors	59,697	1,831
	<hr/>	<hr/>
	860,214	335,979
	<hr/>	<hr/>

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31st March 2008 (continued)

7. CREDITORS: Amounts falling due after more than one year

	2008	2007
	£	£
Bank loans (secured)	-	217,998
	<hr/>	<hr/>

There are two bank loans. The first was for £750,000 taken out in May 2002 and repayable by instalments over seven years. The second loan was for £500,000 taken out in August 2005 and repayable by instalments over three years. The loans are secured by a fixed and floating charge over the assets of the Company and the Group.

The Company has guaranteed bank borrowings of its subsidiary undertakings, Solid State Supplies Limited, Steatite Limited and Wordsworth Technology Limited. At the year end the liabilities covered by those guarantees amounted to £803,721 (2007: £555,640). 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.

8. SHARE CAPITAL

	2008	2007
	£	£
Authorised 9,000,000 ordinary shares of 5p each	450,000	450,000
	<hr/>	<hr/>
Allotted issued and fully paid 6,156,511 ordinary shares of 5p each	307,826	307,826
	<hr/>	<hr/>

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

Details of options granted are set out in Note 6 of the Consolidated Accounts. At 31st March 2008 the number of shares covered by option agreements amounted to 634,920 (2007: 320,000).

No options were exercised in the year (2007: nil).

9. RESERVES

	Share premium account	Capital redemption reserve	Profit and loss account
1 st April 2007	756,980	4,674	703,806
Loss for the year	-	-	(9,893)
	<hr/>	<hr/>	<hr/>
Add: Share based expense	756,980	4,674	693,913
	-	-	9,753
	<hr/>	<hr/>	<hr/>
Dividend paid	756,980	4,674	703,666
	-	-	(169,304)
	<hr/>	<hr/>	<hr/>
31 st March 2008	756,980	4,674	534,362
	<hr/>	<hr/>	<hr/>

The loss for the year comprises the share based expense and the loss on disposal of a dormant subsidiary. The cumulative amount of goodwill which has been eliminated against reserves at 31st March 2008 is £30,000 (2007: £30,000).

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Solid State PLC will be held at Unit 2, Eastlands Lane, Paddock Wood, Kent TN12 6BU on 30th October 2008 at 11.00am for the following purposes:

SPECIAL RESOLUTION

- (1) To pass the following resolution: That Article 88 of the Company's Articles of Association be and is hereby deleted in its entirety. (Resolution 1)

ORDINARY RESOLUTIONS

- (2) To receive and adopt the accounts for the year ended 31st March 2008, together with the reports of the Directors and auditors thereon. (Resolution 2)
- (3) To declare a final dividend of 1.25p per share. (Resolution 3)
- (4) To reappoint William George Marsh, who retires by rotation, as a Director of the Company in accordance with the Companies Articles of Association. (Resolution 4)
- (5) To reappoint Lewis Cyril Ashby Newnham, who retires by rotation, as a Director of the Company in accordance with the Companies Articles of Association. (Resolution 5)
- (6) To reappoint BDO Stoy Hayward LLP as auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)
- (7) To pass the following resolution:
That the Company is, pursuant to Section 166 of the Companies Act 1985, hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985) 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 20p per ordinary share;
 - ii) the maximum price which may be paid for the ordinary shares is £1.00 per ordinary share;
 - 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 166;
 - 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 7)

BY ORDER OF THE BOARD

P Haining FCA

Secretary

8th September 2008

Registered office:

Unit 2, Eastlands Lane, Paddock Wood, Kent TN12 6BU

NOTES:

1. Proxies

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

2. Documents on Display

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

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SOLID STATE PLC

FORM OF PROXY

Please read the notes below before completing the form. Any amendments to this form should be initialled by the signatory.

I/We (name/(s) in full
of address(es)

.....
.....
.....
being a member(s) of the above named company, hereby appoint the Chairman of the Meeting, or failing him
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Unit 2, Eastlands Lane, Paddock Wood, Kent, TN12 6BU on Thursday 30th October 2008 at 11.00am and at any adjournment thereof.

Resolution	For	Against
1. To remove the age limit on the appointment of directors.		
2. To receive and adopt the accounts for the year ended 31st March 2008 together with the reports of the Directors and auditors thereon.		
3. To declare a final dividend of 1.25p per share.		
4. To re-appoint William George Marsh, who retires by rotation, as a Director of the Company in accordance with the Company's Articles of Association.		
5. To re-appoint Lewis Cyril Ashby Newnham, who retires by rotation, as a Director of the Company in accordance with the Company's Articles of Association.		
6. To re-appoint BDO Stoy Hayward LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
7. To authorise the Company to purchase its own shares.		

Signature Date

Notes

1. You may appoint one or more proxies of your own choice, if you are unable to attend the meeting but would like to vote. If such an appointment is made, delete the words "the Chairman of the Meeting" and insert the name(s) of the person or persons appointed as proxy/proxies in the space provided. A proxy need not be a member of the Company. If no name is entered above, the return of this form duly signed will authorise the Chairman of the meeting to act as your proxy.
2. In the case of a corporation, this form of proxy must be properly executed under the hand of its duly authorised officer or attorney or any other person authorised to sign on behalf of the corporation.
3. To be valid, this form must be deposited (together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or a copy certified in accordance with Powers of Attorney Act 1971 or in some other manner approved by the Directors), at Capita IRG plc, The Registry, 34 Beckenham Road, Kent BR3 4TU, not later than 48 hours before the time appointed for the Meeting. The completion and return of a form of proxy will not, however, preclude shareholders from attending and voting in person at the Meeting.
4. If two or more persons are jointly entitled to a share conferring the right to vote, any one of them may vote at the Meeting either in person or by proxy, but if more than one joint holder be present at the Meeting either in person or by proxy the one whose name stands first in the Register of Members in respect of the joint holding shall alone be entitled to vote. In any event the names of all joint holders should be stated above.
5. If this form is returned without any indication as to how the person(s) appointed shall vote on the resolutions, such persons(s) will exercise his/her/their discretion as to how to vote or whether to abstain from voting. Unless instructed other wise, the proxy may also vote or abstain from voting as he or she thinks fit on any other business, which may properly come before the meeting (including amendments to resolutions).

Please return this form to:

Capita IRG plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU