

8 July 2025

### Solid State plc

("Solid State", the "Group" or the "Company")

### Final Results - Marginally ahead of revised market expectations

Solid State plc (AIM: SOLI), the specialist value added component supplier and design-in manufacturer of computing, power, and communications products, announces its Final Results for the 12 months ended 31 March 2025.

As previously announced, the financial year (FY24/25) was impacted by the timing of major communications contracts whereby the pull forward of revenues into a record FY23/24, and delay of a significant defence contract into FY25/26, resulted in lower reported revenues and profitability for FY24/25 whilst favouring them in FY23/24 and FY25/26. The strong order book underpins management's confidence in meeting market expectations for FY25/26, returning to year-on-year growth in revenue and profitability.

#### Highlights in the period include:

	2025	2024	Change
Revenue	£125.1m	£163.3m	-23.4%
Adjusted operating profit	£6.0m	£17.0m	-64.7%
Adjusted operating profit margin*	4.8%	10.4%	-560bps
Adjusted profit before tax*	£5.0m	£15.6m	-67.9%
Adjusted diluted earnings per share**	6.2p	20.1p	-69.2%
Full year dividend**	2.5p	4.3p	-41.9%
Net cash flow from operating activities	£10.4m	£14.3m	-27.3%

\* Adjusted performance metrics are reconciled in note 30, the adjustments relate to IFRS 3 acquisition amortisation, share based payments charges and non-recurring charges in respect of acquisition costs, taxation and fair value adjustments.

	2025	2024	Change
Reported operating profit	£1.3m	£13.7m	-90.5%
Reported operating profit margin	1.1%	8.4%	-730bps
Profit before tax	£0.3m	£12.2m	-97.5%
Diluted earnings per share**	0.9p	15.3p	-94.1%

\*\* Restated for four for one bonus share issue

	2025	2024	Change
Net debt***	(£7.4m)	(£4.7m)	57.4%
ROE	0.8%	13.6%	-12.8%
ROCE	9.8%	26.4%	-16.6%
Open order book @ 31 May	£101.6m	£89.2m	13.9%

\*\*\* Net debt includes cash of £3.5m (2024: £8.4m), bank borrowings of £10.6m (2024: £13.1m) the fair value of deferred contingent consideration of £0.3m (2024: £nil) and excludes the right of use lease liabilities of £6.0m (2023: £3.6m).

#### Financial highlights:

- Revenue in period impacted by timing of major communications contracts:
  - pull forward revenues into a record FY23/24; and
  - delay of defence revenue due to SDR
present optically challenging performance in reported period FY24/25, when compared to strong comparative period and improved FY25/26 current trading
- Strong underlying business with strong gross margins and improving operating margins
- Continued improvement in quality of earnings

#### Commercial and operational highlights:

- 25m Communications Equipment order secured, albeit now to be delivered in FY25/26
- 5.1m IOT Contract - New US Franchise Line
- Acquisition of Gateway Electronic Components Ltd
- Acquisition of Q-Par Antennas USA
- Investment in US operations and progress in Custom Power integration
- Investment in new value-added facility in Ashchurch, Tewkesbury, UK
- Bonus share issue

#### Current trading:

- Strong opening order book which continues to build
- Normalisation of customer inventories and order patterns
- Operational gearing benefiting operating margins
- Confidence in meeting market expectations for the current year

**Commenting on the results and prospects, Nigel Rogers, Chairman of Solid State, said:**

"The Group has demonstrated resilience amidst challenging market conditions, including geopolitical uncertainties and economic headwinds. The results for the reporting period are ultimately impacted by the timing of major contracts, which does not reflect the significant progress made in the business.

"Despite these shorter-term challenges, Solid State remains well-positioned to benefit from structural growth opportunities in key sectors such as defence, medical and IoT, whilst continuing to invest in infrastructure and capabilities to support its long-term ambitions.

"The Board is confident in the Group's prospects and in meeting market expectations for the current year, underpinned by the strong order book."

**Analyst Briefing: 9.30am today, Tuesday 8 July 2025**

An online briefing for Analysts will be hosted by Gary Marsh, Chief Executive, and Peter James, Group Finance Director, at 9.30am today, Tuesday 8 July 2025, to review the results and prospects. Analysts wishing to attend should contact Walbrook PR on [solidstate@walbrookpr.com](mailto:solidstate@walbrookpr.com) or on 020 7933 8780.

**Investor Presentation: 2.00pm on Wednesday 9 July 2025**

Gary Marsh, Chief Executive; and, Peter James, Group Finance Director, will hold a presentation to cover the results and prospects at 2.00pm on Wednesday 9 July 2025. The presentation will be hosted through the digital platform Investor Meet Company. Investors can sign up to Investor Meet Company for free and add to meet Solid State plc via the following link <https://www.investormeetcompany.com/solid-state-plc/register-investor>. Investors who have already registered and added to meet the Company will automatically be invited.

Questions can be submitted pre-event to [solidstate@walbrookpr.com](mailto:solidstate@walbrookpr.com), or in real time during the presentation via the "Ask a Question" function.

<sup>1</sup>The Company considers the average of the most recently published research forecasts prior to this announcement by all providers - Cavendish Capital Markets Ltd and Zeus Capital Ltd to represent market expectations for Solid State.

<b>Market Expectations</b>	<b>FY24/25</b>	<b>FY25/26</b>
Revenue	£123.0m	£145.2m
Adjusted profit before tax*	£4.0m	£7.2m

\* Adjustments relate to IFRS 3 acquisition amortisation, share based payments charges and non-recurring charges in respect of re-organisation cost/acquisition costs and fair value adjustments.

**Investor Site Visits to Head Office in Redditch**

Solid State holds site visits to its head office in Redditch where operations from both the Systems and Components divisions can be seen. Interested investors should contact [solidstate@walbrookpr.com](mailto:solidstate@walbrookpr.com).

*This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("MAR"). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.*

**For further information please contact:****Solid State plc**

Via Walbrook

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**Analyst Research Reports:** For further analyst information and research see the Solid State plc website:

<https://solidstateplc.com/research/>

**Notes to Editors:**

Solid State plc (AIM: SOLI) is a leading value-added electronics group supplying industrial and defence markets with durable components, assemblies and manufactured systems for use in critical applications, with a particular emphasis on harsh operational environments. Solid State's products are found around the world, from the ocean floor and into space, ensuring the smooth operation of systems that augment our everyday lives.

The Company has a core focus on industrial and ruggedised computing, battery power solutions, antennas, secure radio systems, imaging technologies, and electronic components & displays.

Operating through two divisions (Systems and Components), the Group thrives on complex engineering challenges,

often requiring design-in support and component sourcing. Serving a wide range of industries, with a particular focus on defence, energy production, aerospace, environmental, oceanographic, industrial, robotics, medical, life sciences, and transportation, the Solid State trading brands have become synonymous with quality and reliability. The Group operates under the brands of Steatite, Solsta, Custom Power, Pacer, Active Silicon, Gateway, Durakool and Q-Par.

Solid State plc is headquartered in Redditch, UK, and employs over 400 people around the world. The business has seven production facilities in the UK and two in the USA. In total, including all office locations, the Group operates from 14 national and international sites.

Solid State was established in 1971 and admitted to AIM in June 1996. The Group has grown organically and by acquisition - having made five acquisitions in the last five years.

Take a look at the videos below for more insight into the Solid State Group.

Introduction to Solid State - [https://youtu.be/1M\\_Q\\_B1mYic](https://youtu.be/1M_Q_B1mYic)

Why invest in Solid State? - <https://youtu.be/ShmTz6005ws>

## **Chairman's Statement**

Following a year of record trading and results in FY24, market conditions were more challenging, and this is reflected in these results. Economic headwinds in advanced economies were exacerbated by geopolitical events, resulting in a background level of uncertainty and intense volatility. The Group has demonstrated good resilience but has not been immune from the effect of these conditions.

### **Performance**

After a solid first-half performance, the Group endured an unexpected delay in a large order for communications equipment in November 2024 which was a consequence of the UK Strategic Defence Review. This contract was reconfirmed in March 2025 and will now be delivered in the first half of the financial year ending 31 March 2026..

The effect of this delay created a necessity to reduce earnings guidance for the year, and it is noteworthy that these final results are ahead of the reduced expectations reset at that time.

End markets continue to be volatile, partly due to cyclical shifts in demand characterised as aftershocks from the post-pandemic boom, but mainly due to geopolitical factors. Headlines continue to be dominated by rapid fluctuations in policy on both sides of the Atlantic, especially in relation to trade barriers and tariffs. These create daily disruption, however, our people and operations are agile, and the Directors are generally content that the Company is well-placed to benefit from the underlying direction of travel.

The Company's business model has resilience from the diversity of products and services offered, the geographical spread of operations, and exposure to a variety of structural growth end markets. For example, we supply a range of highly differentiated specialist products into the defence and security sector and have production capabilities in both the UK and the USA. We are also building the infrastructure to support large defence sector primes in the UK at a time when both domestic and NATO spending is forecast to increase substantially over the next decade.

In addition, we are increasing exposure to other high-growth sectors; medical, IoT and security for example. These markets will help to stabilise and expand our distribution business at a time when transportation and general industrial demand remains sluggish; a headwind that may continue for some time.

Our resilience is demonstrated by the quality and enduring nature of our customer relationships and can be measured by an increasing proportion of revenue derived from own-brand products and, perhaps most importantly, maintaining gross margins well above industry average.

### **Power update**

The USA business of Custom Power was acquired in August 2022 for 40m at a time when it was generating EBITDA of 3.5m on annual revenue of 29.7m.

Following completion, market conditions became more challenging as demand softened after the post-pandemic boom. In addition, execution of the integration plan was disrupted by the need to make leadership and management changes in the US operations, which took longer than originally anticipated.

Custom Power has recently been combined with our UK Power business at Crewkerne, to form a single business unit, under a new leadership and management structure which is proving to be much more effective. Power will be represented as a third division from FY26.

Focus has been on building the operational capability of the business as a platform for growth. This work is now largely complete, enabling management to move the attention to conversion of the abundant business development opportunities in this sector which is progressing well with the open orderbook strengthening. We are especially well placed by having robust defence sector accreditations and experience, and a multi-site manufacturing footprint. This creates confidence that we can rebuild the top line and return the Power business to enhancing Group operating margins rather than acting as a constraint.

### **Acquisition update**

During the year we completed two bolt-on acquisitions, Gateway Electronic Components in the UK and Q-PAR Antennas in the USA. Transactions of this size and nature are relatively straightforward to complete and integrate in the current climate and offer a lower risk route to drive growth in challenging times. Management is focused on identifying similar deals in the current financial year, with larger strategic acquisitions given lower priority in an elevated risk environment.

Finally, and despite market uncertainties, we continue to invest in people and infrastructure both in the UK and in our American business, to capitalise on the undoubted potential for sustained expansion in coming years.

## **The Board and Governance**

The structure and composition of the Board of Directors has been unchanged throughout the financial year, which has provided welcome stability at a time of external turbulence. The Board continues to monitor the effectiveness of its' own affairs, and the balance of skills and experience required to devise strategic goals and objectives, and monitor delivery and performance.

## Dividend

In September 2024 the shareholders approved the Directors' proposal to issue four bonus ordinary shares for every ordinary share held, with the practical effect of this being to subdivide the existing share capital by a factor of five. The purpose of this proposal was to increase the liquidity of trading in the shares and improve access for retail investors. In this respect, the new structure has had the desired effect, and the average number and volume of daily trades has demonstrated a healthy increase.

The Board remains committed to delivering returns to shareholders, including the payment of dividends. After many years of progressive increases, the Directors have reluctantly acknowledged that the decrease in current year earnings necessitates a corresponding reduction in dividends paid and proposed.

The Directors are proposing a final dividend of 1.67p (2023/24: 2.9p\*) resulting in a full year dividend of 2.5p (2023/24: 4.3p\*), pence per share, which is covered 2.5 times by adjusted earnings (2023/24: 4.6 times).

Our progressive dividend policy is a key element of our strategy to deliver returns to shareholders, and the Directors are committed to restoring dividend payments to prior levels as soon as trading conditions permit.

The final dividend is pending approval by shareholders at the AGM on 11 September 2025. If approved, it will be paid on 30 September 2025, to shareholders registered by the close of business on 12 September 2025. The shares will be marked ex-dividend on 11 September 2025.

## Outlook

Market conditions are showing early signs of underlying improvement, although this continues to be obscured by short-term volatility from fast moving geopolitical events.

The open orderbook on 31 March 2025 stood at £108.5m (30 September 2024: £76.6m) including c.£19m from the restored communications equipment order, an underlying H2 increase (excluding this order) of 17%. Approximately 95% of the total orderbook is expected to be delivered in the current financial year.

Q1 trading has seen a strong start to the year benefitting from the initial shipments of the communications equipment noted above as well as strong order intake from a number of customers. However, we have continued to see some USA customer programmes being delayed with the macro-economic and geopolitical uncertainty.

The Directors continue to have confidence in the longer-term growth drivers in each of the three divisions (with the split out of Power from April 2025) and have invested in people and facilities in preparation for increasing demand in key markets, both sector-wise and geographically.

The primary focus will be on delivering strong organic revenue growth from current customers and healthy pipeline opportunities, with a continuation of robust gross margins, and improving net margins from the effect of operational gearing.

## Nigel Rogers

Non-Executive Chairman

8 July 2025

## Chief Executive Officer's Review

**Following a notably strong comparable period in FY24, performance over the last 12 months has seen good demand in some sectors (e.g. defence and security) while others have been depressed (Industrial), driven by customers continuing to de-stock combined with a slowdown in industrial demand.**

This was compounded by the timings of shipments in respect of communications programmes, where Q4 23/24 benefitted from a pull forward from Q1 24/25, then exacerbated by the delay of a significant opportunity from Q4 FY24/25 which has now been secured and will be shipped in FY 25/26.

While the headline reported performance in the current year shows a significant year-on-year reduction, the shipments of the communications products contributed strongly to the prior year record results at circa £33.4m of revenue and £9.0m of profit, which has not recurred in the current period. Normalising for this programme, the prior year revenue would have been approximately £130m, which reflects a more modest shortfall year on year driven by the industrial headwinds.

I am pleased to reiterate that the delayed communications equipment order of 25m has now been awarded and will be delivered in the current financial year ending 31 March 2026. The orderbook at 31 March 2025 is £108.5m, which, combined with strong prospect pipeline, gives the Board confidence in meeting consensus expectations for FY26.

## Overall business performance

I am pleased to report revenue for the year of £125m and adjusted profit before tax of £5.0m, both exceeding consensus expectations. Notably, the Group concluded Q4 with robust shipments to customers.

Gross margins during the period have remained stable above 30%. Throughout the year, the business has implemented measures to manage its cost base in response to challenging trading conditions. However, the changes introduced in the Autumn Budget regarding tax legislation and minimum wage are expected to result in cost increases of over £0.5m, which will partially offset the anticipated overhead savings.

## Sector and divisional review

### Systems

Last year, the division saw an exceptional year, especially with the pull-in from communications revenue. Our non-communications revenue has had a strong performance in FY25 with 41.1% (FY23/24 30.5%) of total Systems revenue. The Systems margin percentage has remained broadly stable year on year in excess of 35%.

The Systems division has experienced delays in investment programmes in the UK and there has been a slowdown in awarding defence contracts, although these are expected to accelerate following publication of the strategic defence review at the beginning of June.

There is a clear shift toward longer-term framework contracts in the defence sector, particularly in maritime surface and Subsea to strength supply chain resilience. These agreements offer industry stability and visibility, enabling better planning, investment, and assured delivery. The Group is well positioned to benefit from this trend, given its proven capability, reliable supply chain, and focus on mission-critical technologies.

Our Power business unit has faced challenges in the industrial market where we have seen higher customer churn being exited some low engineering value add customers. As a result, we have recognised a write down on our

having exited some low engineering value add customers. As a result, we have recognised a write-down on our acquisition goodwill. Positively, we have secured a number of important opportunities with Tier-one customers which should result in increased activity in the second half of FY25/26.

We are pleased to report that our investment in the Integrated Systems business unit to meet demand for more complex systems from our Tier-one defence and security customers is largely complete and the production transfer to that site commenced at the beginning of FY25/26 where we anticipate revenue and activity will build as we progress through the year. This new facility will be a significant opportunity to secure additional premium high-value-added business and growth in the mid-term.

### **Components**

The Components division has seen a slowdown in industrial and transport sectors as customers continued to de-stock as component lead times started to normalise.

Positively, the margins within the Components business have recovered towards traditional norms at 25% and we are continuing to focus on further enhancing margins in the year ahead as part of our push to improve the Group's quality of earnings.

The Group's investment in Gateway Electronics as well as securing new franchises, including Inseeo in the USA and Smiths Connectivity in the UK reflects our continued commitment to deliver on the Components' growth strategy.

### **Key leadership**

The establishment of the Executive Board last year has strengthened the Group. The Executive Board is tasked with delivering the strategic objectives, monitoring and control of ongoing operational and commercial activities and improvement.

We continue to focus on developing the senior management team and are pleased to have welcomed Stephen Brown as Chief Sales Officer for our USA operations. Stephen's role will focus on enhancing the sales approach, customer engagement model and market presence expansion in the USA.

We continue to focus on progressing our gender diversity and are pleased that more than one-third of our leadership team is now female. We recognise that there is still work to be done to continue to improve our diversity and are focused on developing our people as well as adding new talent.

Our engineering teams are made up of 80 engineers and are essential to the Group's performance. We take pride in drawing in and keeping a talented workforce that has helped us build a solid platform for future expansion.

We have established a General Manager structure within the Systems business units as well as enhancing the US team with roles in engineering, quality, and HR management, and recruiting additional talent in IT, health & safety, and project management in the UK.

Developing our leadership team is essential for future growth. We have made significant investments in building expertise in key areas such as communications and integrated systems, with several internal promotions demonstrating our commitment to nurturing talent. We are upskilling our technical team with skills in confidential documentation and verification.

Notably, nearly 50% of vacancies have been filled internally, supplemented by strategic external hires when needed. These initiatives highlight our commitment to cultivating a capable and resilient team to advance the Group's goals.

### **Acquisitions**

Over the last 12 months, the Group has completed two relatively small bolt-on acquisitions which support our 2030 strategy. The acquisitions of Gateway Electronic Components and Q-PAR Antennas USA enhance the development of the Group's US sales channel for its own-brand products, including Durakool, Steatite Antennas, and Optical. These acquisitions are also expected to boost mid-term operating margins and support organic growth.

#### **Gateway Electronic Components Limited**

Gateway was acquired for £1.4m in October 2024. As a specialist in ferrite and magnetic components, Gateway adds a complementary product range and expertise that aligns with Solid State's strategy of delivering value-added engineering solutions.

We will look to leverage Solid State's international sales channels, to drive additional growth in sales of Gateway's proprietary machined ferrite products while also providing cross-selling opportunities and expanding the customer base. This growth is expected to boost earnings and margins within the Group's Components division.

#### **Q-PAR Antennas USA, LLC**

The business was acquired for a total consideration of up to 2.1m. Q-PAR, a long-standing distribution partner specialising in antenna systems for defence and security, provides Solid State with a secure distribution channel in the US and approved supplier status for key defence contractors.

This acquisition bolsters the Group's presence in the US which is critical with the recent political environment changes to the USA tariffs, highlighting the importance of "made in USA." This acquisition supports the medium-term growth through the potential to onshore production and enhances our ability to scale in one of the world's largest antenna markets.

In addition to these acquisitions, the Board is actively seeking attractive opportunities in both overseas and UK markets. The acquisition pipeline for both divisions remains robust, with a particular emphasis on integrating new technologies and further internationalising the Group.

### **Strategy**

The Board is committed to maintaining our growth ambitions and the success that the business has seen over the last five years. Our 2030 goal is to return to the levels of performance achieved in FY23/24 of adjusted PBT from the core business (excluding "non-recurring" material communications revenues).

To increase revenues and improve operating margins, we want to keep funding initiatives for organic growth that are supported by smart acquisitions. We will continue to focus on our strategic markets and customers in expanding industries with high entry barriers that demand certification or established credibility, where our specialised skills and engineering knowledge are valued.

Despite the challenges faced this financial year, we are pleased with the progress we have made in achieving our 2030 strategy. Our four pillars remain unchanged and are:

1. Talent development embedding our ESG values
2. Broadening our complementary product and technology portfolio
3. Development of our "own brand" components, systems and power offering securing recurring revenue

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#### 4. Internationalisation of the Group

The following significant landmarks represent critical phases in the implementation of our strategy and are important foundations which our 2030 objectives and goals will leverage:

- The new "Executive Board" is operating effectively and advancing the strategy's creation and implementation;
- Planned overhead and capital investment (in excess of £5.0m) in our Systems division enhancing the capacity and capabilities in our RF Communications business unit and the new Integrated Systems site at Ashchurch to strengthen the relevance and value-added uniqueness of our offering to our Tier-one customers;
- Continue to focus on generating cash and paying down borrowings to position the Group for future investments;
- Completion of the rebranding of the existing Group provides a common look and feel, and facilitates the presentation of the wider Solid State offering to existing and prospective customers;
- The Group's Power business unit has made significant progress, securing several major orders for battery systems from key Tier-one customers in the robotics, drone, and naval sonar buoy sectors; and
- Acquisitions of Gateway and Q-PAR provide small but important strategic value to drive mid-term operating margin enhancement and organic growth for their respective divisions.

#### **Our markets and business development**

Our long-term partnerships, strong commitment to customer service, and proactive management of semiconductor supply chains have allowed us to maintain a diverse customer base in our target markets. This has continued to demonstrate its value, when compared against a very strong comparable period in FY23/24, allowing the Group to be resilient in difficult market circumstances.

The Group is well-positioned in the defence and security sector. This sector is highly regulated, with significant entry obstacles for those without extensive experience. The Directors see significant growth potential for the Group, which has excellent relationships with strategically important customers, innovative technology, and operates in an environment that will benefit from increased levels of public spending, both domestically and internationally, in the coming years.

This is evidenced with the delayed communications programme revenue of 25m returning for the upcoming financial year. Group revenue in this sector contributed to circa 30% of FY25 (2024: circa 44%). The Company has effectively positioned itself in the market as a prominent provider with Tier-one and Tier-two customers, having been operating in this industry for over five decades.

Our confidence is underpinned by the UK government's commitment to increasing defence expenditure from 2.3% to 2.5% of GDP by 2027 and an ambition to further increase this to 3.0%. In Europe, current plans imply an increase in non-US NATO defence budgets by 50%, from 2% to 3% by 2030.

The "integrated systems" production facility began operations in April 2025 and is expected to contribute revenue in FY25/26. This facility will boost the Group's technical capability and continue to support our Tier-one customers in the defence and security market providing a platform for mid-term revenue growth which will enhance operating margins.

The global electronics sector has continued to normalise, with orderbooks changing to meet shorter lead times and the removal of surplus inventory. Political and economic concerns (not least the US tariffs) have had an influence on many businesses, with some consumers deferring purchases due to the combination of shorter lead times and uncertainty, which is decreasing demand. That said, the Group has seen significant demand and rising billings for Internet of Things ("IoT"), with the Group acquiring two new franchises for communications components.

The Group's Power business unit has faced a number of challenges impacting current year trading, however, looking forward we have made successful strides by securing numerous major orders for battery systems from key Tier-one clients in the robotics, drone, and naval sonar buoy industries.

These high-quality contracts, together with a stronger pipeline of prospects in both the United States and the United Kingdom, show a strategic shift toward higher-value activities. This approach will help to mitigate the impact of losing lower value-added client accounts in future years; but, the decision to exit these accounts has created a short-term headwind that is significantly impacting performance this year. The recent announcement of tariff changes highlights the importance of investing and manufacturing in the USA and this is a key focus area of the Group's strategy.

We will continue to make mid-term investments in the medical industry as a Group since it has similar characteristics to defence and security (accreditations, know-how and lengthier design cycles). Long-term development of this sector will help to supplement and balance our strengths in the D&S business.

We achieved the ISO13485 medical standard at our Weymouth production facility and are planning to achieve this accreditation in our Power facilities, which is critical for future growth. The medical market is buoyant, and design and pipeline development has been strong across both divisions, with new engineering projects and design wins likely to translate into production demand to commence in FY25/26 and beyond.

#### **Outlook**

The Board has outlined a plan for Solid State to grow by delivering multi-year, multi-product projects as a valued partner to multinational blue-chip customers. This has resulted in consistent success over the last few years, with record financial performance in the preceding fiscal year.

Our key markets are heavily regulated, with considerable entry hurdles and prospects for higher profit margins. To satisfy these stringent standards, the Group invests in personnel, infrastructure, and product development, sometimes ahead of expected returns. Certain market applications can be cyclical in nature, and others are dependent upon spending approvals, the timing of which can be affected by national and international events.

We are participating in projects with long term visibility and are working towards securing multi-year framework contracts.

The Group has experienced some setbacks in delivering this financial year, albeit we are pleased that we have performed ahead of revised consensus expectations, and we anticipate the year ahead will bring new opportunities.

The recent announcement and uncertainty from the changes in tariffs announced in the USA will be a key area of focus for businesses worldwide. Our recent acquisition of Q-PAR USA and the investment in our USA Power business is strategically placing us in a position to achieve the "made in USA" status.

The growth opportunities in the USA are significant and the Group's vision is to build out our west coast USA facilities

which will require investment from 2025 to 2027.

The Board remains committed to our strategy and is confident that our business model is resilient. The Group has taken steps to reduce discretionary spending and working capital investment in order to provide a robust balance sheet at the period end.

Despite the USD currency headwinds at a revenue level, post year end we have had a strong start to the year benefitting from delivering £8.1m of the c. £19m communications order which was announced in March 25. The orderbook at 31 May 2025 was £101.6m which gives the Board the confidence to re-confirm that we remain on track to deliver the consensus revenue and earnings for FY25/26.

The new Ashchurch site and the two bolt-on acquisitions demonstrate a readiness to invest in capabilities and critical mass, allowing for a return to above-market organic growth across the cycle as markets recover.

**Gary Marsh**

Chief Executive Officer

8 July 2025

## **Chief Financial Officer's Review**

### **Revenues**

Group revenue in 2025 is £125.1m (FY23/24: £163.3m) and is ahead of consensus expectations for the year. Normalising for a constant currency impact of £1.6m and the £33.4m prior year revenue impact from the communications programme which has not recurred, the year on year revenue is down 2.5%.

The Systems division reported revenue of £69.8m (FY23/24: £103.5m). The Division was impacted by the delay in the communications programme to FY25/26 compared to last year, which was an exceptional year with communications programme revenues being pulled into FY23/24 from the current year.

That said, performance for this year saw a strong contribution from the defence and security market with 30% of revenue being derived from this sector. While the underlying Computing and Communications revenues have been robust, the Power business unit within the Systems division has faced significant headwinds in the USA from the industrial slowdown, continued de-stocking and the political volatility and associated economic uncertainty which has adversely impacted performance in this period.

Like the US Power business unit, the Components division faced the same tough trading conditions, which has resulted in revenues of £55.3m (FY23/24: £59.8m) reflecting a 7.5% decrease which, while disappointing is better than the UK electronics distribution market which saw just under a 20% in the calendar year 2024.<sup>1</sup>

### **Gross profit**

Positively, the gross margin at a product level across both divisions has seen a slight improvement largely offsetting the impact of the change in mix of sales meaning that the overall Group margin percentage has been broadly maintained and is 31.5% (FY23/24: 31.7%).

Systems gross margin percentage remained broadly stable at 36.6% (FY23/24: 37.6%) contributing gross margin of £25.5m (2024: £38.9m). The prior year had two key factors impacting gross margins, where a benefit from the delivery of certain premium projects offset the dilutive impact of the high volume communication revenues. The mix of business and margins are back to more traditional norms, however our investments in capabilities in Ashchurch and the USA provide opportunities to do more premium margin business going forward.

Components contributed gross profit of £13.8m (FY23/24: £12.9m). The margin percentage increased from 21.6% in FY24 to 25.0% in FY25, reflecting the positive impact of discontinuing legacy lower margin production activities in the USA. Looking forward, we remain focused on our strategy of enhancing our value-added and own-brand product offerings to further enhance margins.

### **Sales, general and administration expenses**

Sales, general and administration ("SG&A") expenses remained stable at £38.0m (FY23/24: £38.1m). However, the adjusted SG&A costs have reduced to £33.3m (FY23/24: £34.8m) reflecting that the Group has implemented several cost mitigation measures, primarily in areas facing more challenging trading conditions. The cost mitigations included a reduction in personnel costs and performance-related pay plus lower recruitment fees.

Despite these measures, the Group has committed to significant investment in key areas with strong mid-term growth potential, including our new integrated systems facility in Ashchurch, UK and the expansion of our capability to deliver additional RF communications products. Our focus on investment on a full year basis will result in additional overheads of circa £3.0m on a full year basis.

### **Operating profit**

The prior year reflects the benefit of the exceptional revenue growth in the period and the associated operational gearing. As a result, in the current year adjusted operating margins have decreased to 4.8% (FY23/24: 10.4%) with adjusted operating profit being £6.0m (FY23/24: £17.0m).

The operating profit is depressed because of overhead investments primarily in our Systems division within our Ashchurch and Leominster facilities of circa £1.5m ahead of realising the revenue opportunities.

Establishing the additional capacity in Leominster as well as building out our new Ashchurch facility has established capacity and a capability which is critical to enable us to realise mid-term growth opportunities with our Tier-one Systems customers.

In doing this we have added circa £3.0m to the Group's cost base on a full year basis, and while the Ashchurch facility is running at lower levels of utilisation it is dilutive to operating margins however as we secure additional business this will enhance the Group's operating margins in the mid-term.

The reported operating profit was £1.3m (FY23/24: £13.7m). The adjustments to operating profit are set out in further detail in Note 30.

Based on the simplified R&D regulations, the Group is a large company in terms of the classifications for UK R&D tax benefits. Under the updated large company scheme, the benefit of the R&D tax credits is recognised within operating profit rather than within the tax line. We have recognised £0.54m (FY23/24: £0.28m) within operating profit in respect of an R&D expenditure credit ("RDEC"). These development programmes are a cornerstone of the Group's

future high-value-added revenue streams.

#### **Profit before tax**

Adjusted profit before tax was down 67.9% to £5.0m (FY23/24: £15.6m) albeit ahead of the revised consensus expectations. After the one-off write-down of intangibles, the profit before tax was £0.3m (FY23/24: profit £12.2m). The adjusted profit metric is reported after adjusting items totalling £4.7m (FY23/24: £3.4m) which includes the write-down and amortisation of acquisition related intangible assets, share-based payments charges and redundancy/ re-organisation costs.

#### **Profit after tax**

The underlying effective tax rate in FY24/25 is 29% (FY23/24: 25%).

The effective tax rate has increased due to not recognising the deferred tax asset relating to US losses where there is uncertainty that the losses will be recovered, which is consistent with the impairment recognised in the period. The reported tax charge reflects the benefit of share option tax deductions and enhanced tax allowances, resulting in a tax credit for the year of £0.2m (FY23/24: £3.3m expense).

Adjusted profit after tax was £3.6m (FY23/24: £11.7m). The profit after tax was £0.5m (FY23/24: £8.9m).

#### **EPS**

Adjusted fully diluted earnings per share for the year ended 31 March 2025 is 6.2p (FY23/24: 20.1p as restated).

Statutory fully diluted earnings per share is 0.9p (FY23/24: 15.4p as restated).

#### **Dividend**

The Board is proposing a final dividend of 1.67p (FY23/24: 2.90p<sup>2</sup>) for approval at the Annual General Meeting, giving a full-year dividend of 2.5p (FY23/24: 4.30p<sup>2</sup>) as set out in the Chairman's statement.

#### **Cash flow from operations**

Cash flow from operations stood at £10.4m (FY23/24: £14.3m). This decrease in operational cash is primarily driven by the large billings of the NATO contract in Q4 FY23/24 and pull in of revenue.

The adjusted operating cash conversion percentage (cash generated from operations/ adjusted operating profit) for the full year is 173% (FY23/24: 84%).

The year ended with a working capital inflow driven by receipt of cash in relation to FY24 Q4 Nato shipment and offset in part by the outflows from payment of creditors and increased inventories.

During the period, we paid taxes of £2.6m (FY23/24: £3.3m) with minimal tax payments in the USA due to deductible amortisation of local goodwill.

#### **Investing activities**

During the year, the Group invested £2.5m (FY23/24: £1.5m) in property, plant and equipment, and £1.2m (FY23/24: £1.3m) in software and R&D intangibles. The increase in the Group's capital expenditure was primarily driven by the investment in the new Ashchurch facility, of £0.9m.

The business invested in two acquisitions this year. In our Systems' division we acquired Q-PAR USA with net cash payments totalling £0.7m, comprising £0.3m on completion and the first deferred consideration payment of £0.4m. Gateway Electronic Components for our Components division was acquired at £1.4m. There remains deferred and contingent consideration for Q-PAR with £0.3m recognised at the balance sheet date. See note 33 and 34 for further details.

There are capital commitments of £0.2m (FY23/24: £0.0m) at the balance sheet date; however, in the year ahead we anticipate continued investment in our Ashchurch facility, the relocation of our Waterside facility and fit-out and we are in the process of commencing our investment to enhance our USA production capabilities to enable us to deliver on organic revenue growth opportunities. Total investments are expected to be in excess of £5m over the next two financial years.

#### **Financing activities**

The Group received proceeds for issuances of £0.0m (FY23/24: £0.1m) and paid out £0.5m (FY23/24: £nil) for purchase of own shares into treasury.

The financing activities reflect a net draw down of borrowings of £2.5m (FY23/24: £1.6m) and payments for right of use assets of £1.3m (FY23/24: £1.2m).

Net interest charges fell in the period to £0.9m (FY23/24: £1.3m) reflecting the reduction in the net debt and reduced average rates compared to the prior year.

The Group is committed to its progressive dividend policy which resulted in payments of £2.1m (FY23/24: £2.3m) in respect of dividends following the strong performance in FY23/24. In the current year we have proposed a dividend appropriate to the level of profitability as set out in the Chairman's statement.

#### **Statement of financial position**

The Group ended the year with a strong balance sheet of £61.5m in FY24/25 with a marginal decrease from the prior year (FY23/24: £64.6m). The decline in net assets is primarily driven by the write-down of the acquisition intangible assets in addition to dividend payments of £2.1m and the adverse foreign exchange translational impact of £0.7m recognised in reserves.

Net inventory increased to £28.0m (FY23/24: £25.1m) primarily driven by:

- Increase in Systems inventories of c. £3.8m which reflects an increase in Custom Power USA, which supports the delivery of the new orders announced during FY24/25 and an increase in the UK to support a number of communications and antenna programmes which will be delivered in H1.

- Components inventory reduced by £0.9m. This reflects a focus on reducing the UK stock holding post the shortages, which have been offset in part by increases in the USA to service the new contracts announced during the year and the acquisition of Gateway (£0.5m).

Receivables for year-end stood at £21.6m, a decrease from prior year total of £31.5m driven primarily by the strong prior year March billings which included Communications shipments. Receivable ageing has improved with several overdue balances as of 31 March 2024 successfully collected during the year.

Payables for the Group have declined from £21.6m in 2024 to £17.0m in 2025 as a result of the Communications product noted above and no bonuses are accrued for this year.

Similar to prior years, the Group still pays suppliers pro forma when necessary to secure product that is in short



supply. Nevertheless, our long-standing customer and supplier relationships have enabled us to successfully manage fluctuations in working capital.

The Group signed a new lease for the facility at Ashchurch and committed to extend leases across various sites in the UK during the year to ensure manufacturing capacity for future growth. As a result, the overall lease liability has increased by £2.4m to £6.0m as at 31 March 2025.

Group year-end net debt stood at £7.4m (2024: £4.7m) which comprises £3.5m of cash offset by modest levels of borrowing, being £9.8m of term loans with Lloyds and 1.0m drawn down on our Comerica facility to fund the Q-PAR acquisition and a small level of deferred consideration (£0.3m).

Our strong cash conversion and long-standing relationships with our lending partners in the UK and USA with Lloyds Bank and Comerica enable the Group to continue making strategic investments to support both organic growth and acquisitions.

Post year end, we refinanced the Group's debt facilities, establishing a two-bank syndicated Revolving Credit Facility ("RCF"). The committed RCF totals £15.0m, with a £10.0m accordion which is not committed. In addition, subject to agreement with Lloyds, the facility enables to provide a £5.0m short-term overdraft, offering the business further flexibility to manage short-term working capital spikes. This facility enhances both funding flexibility and cost management, supporting the Group's growth strategy.

**Peter James**

Chief Financial Officer

8 July 2025

1 Source: International Distributors of Electronics Association (IDEA)

2 As restated for the impact of the bonus share issue

## Consolidated statement of comprehensive income

For the year ended 31 March 2025

	Note	2025 £'000	2024 £'000
Revenue	3, 31	125,064	163,303
Cost of sales		(85,737)	(111,476)
<b>Gross profit</b>		<b>39,327</b>	<b>51,827</b>
Sales, general and administration expenses		(37,993)	(38,149)
<b>Operating profit</b>	4	<b>1,334</b>	<b>13,678</b>
Finance costs	6	(1,014)	(1,491)
<b>Profit before taxation</b>		<b>320</b>	<b>12,187</b>
Tax credit/ (expense)	7	192	(3,281)
<b>Adjusted profit after taxation</b>		<b>3,563</b>	<b>11,680</b>
Adjustments to profit after taxation	30	(3,051)	(2,774)
Profit after taxation		512	8,906
Profit attributable to equity holders of the Parent		512	8,872
Profit attributable to non-controlling interests		-	34
<i>Items that may be reclassified to profit and loss</i>			
Other comprehensive loss - FX on overseas operations		(688)	(679)
Other comprehensive income - taxation	7	43	-
Adjusted total comprehensive income		2,875	11,001
Adjustments to total comprehensive income	30	(3,008)	(2,774)
<b>Total comprehensive (loss)/ income for the year</b>		<b>(133)</b>	<b>8,227</b>
Comprehensive (loss)/ income attributable to equity holders of the Parent		(133)	8,193
Comprehensive income attributable to non-controlling interests		-	34

<b>Earnings per share</b>		2025	2024*
Basic EPS from profit for the year	8	0.9p	15.6p
Diluted EPS from profit for the year	8	0.9p	15.3p

\* Restated for impact of bonus share issue

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

All results presented for the current and comparative period are generated from continuing operations.

## Consolidated statement of changes in equity

For the year ended 31 March 2025

For the year ended 31 March 2025

	Share Capital £'000	Share Premium Reserve £'000	Foreign Exchange Reserve £'000	Other Reserves £'000	Retained Earnings £'000	Shares held in Treasury £'000	Total £'000	Non- controlling interests £'000	Total Equity £'000
<b>Balance at 31 March 2024</b>	<b>569</b>	<b>30,581</b>	<b>(1,515)</b>	<b>(64)</b>	<b>35,086</b>	<b>(37)</b>	<b>64,620</b>	<b>-</b>	<b>64,620</b>
Issue of new shares	2,285	(2,281)	-	-	-	-	4	-	4
Share-based payment debit	-	-	-	-	(375)	-	(375)	-	(375)

Transfer of treasury shares to AESP	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	(2,119)	-	(2,119)	- (2,119)
<b>Transactions with owners in their capacity as owners</b>	<b>2,285</b>	<b>(2,281)</b>	<b>-</b>	<b>-</b>	<b>(2,494)</b>	<b>-</b>	<b>(2,490)</b>	<b>- (2,490)</b>
Result for the year ended 31 March 2025	-	-	-	-	512	-	512	- 512
Taxation via OCI	-	-	-	-	43	-	43	- 43
Foreign Exchange via OCI	-	-	(688)	-	-	-	(688)	- (688)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(688)</b>	<b>-</b>	<b>555</b>	<b>-</b>	<b>(133)</b>	<b>- (133)</b>
Purchase of treasury shares	-	-	-	-	-	(501)	(501)	- (501)
<b>Balance at 31 March 2025</b>	<b>2,854</b>	<b>28,300</b>	<b>(2,203)</b>	<b>(64)</b>	<b>33,147</b>	<b>(538)</b>	<b>61,496</b>	<b>- 61,496</b>

**For the year ended 31 March 2024**

	Share Capital £'000	Share Premium Reserve £'000	Foreign Exchange Reserve £'000	Other Reserves £'000	Retained Earnings £'000	Shares held in Treasury £'000	Total £'000	Non-controlling interests £'000	Total Equity £'000
<b>Balance at 31 March 2023</b>	<b>567</b>	<b>30,474</b>	<b>(836)</b>	<b>5</b>	<b>27,805</b>	<b>(108)</b>	<b>57,907</b>	<b>47</b>	<b>57,954</b>
Issue of new shares	2	107	-	-	-	-	109	-	109
Share-based payment credit	-	-	-	-	803	-	803	-	803
Transfer of treasury shares to AESP	-	-	-	-	(72)	72	-	-	-
Dividends	-	-	-	-	(2,322)	-	(2,322)	-	(2,322)
Acquisition of non-controlling interests	-	-	-	(69)	-	-	(69)	-	(69)
Transactions with non-controlling interests	-	-	-	-	-	-	-	(81)	(81)
<b>Transactions with owners in their capacity as owners</b>	<b>2</b>	<b>107</b>	<b>-</b>	<b>(69)</b>	<b>(1,591)</b>	<b>72</b>	<b>(1,479)</b>	<b>(81)</b>	<b>(1,560)</b>
Result for the year ended 31 March 2024	-	-	-	-	8,872	-	8,872	34	8,906
Foreign Exchange via OCI	-	-	(679)	-	-	-	(679)	-	(679)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(679)</b>	<b>-</b>	<b>8,872</b>	<b>-</b>	<b>8,193</b>	<b>34</b>	<b>8,227</b>
Purchase of treasury shares	-	-	-	-	-	(1)	(1)	-	(1)
<b>Balance at 31 March 2024</b>	<b>569</b>	<b>30,581</b>	<b>(1,515)</b>	<b>(64)</b>	<b>35,086</b>	<b>(37)</b>	<b>64,620</b>	<b>-</b>	<b>64,620</b>

**Consolidated statement of financial position**

As at 31 March 2025

	Note	2025 £'000	2024 £'000
<b>Assets</b>			
<i>Non-current assets</i>			
Intangible assets	12	36,968	40,109
Property, plant and equipment	10	5,487	4,229
Right-of-use lease assets	11	6,075	3,586
Deferred tax asset	23	1,458	605
<b>Total non-current assets</b>		<b>49,988</b>	<b>48,529</b>
<i>Current assets</i>			
Inventories	15	28,239	25,084
Trade and other receivables	16	21,616	31,526
Corporation tax asset		986	-
Cash and cash equivalents - available on demand	22	3,513	8,445
<b>Total current assets</b>		<b>54,354</b>	<b>65,055</b>
<b>Total Assets</b>		<b>104,342</b>	<b>113,584</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade and other payables	17	(17,020)	(21,644)
Deferred and contingent consideration on acquisitions - current	17, 21, 22	(181)	-
Current borrowings	19, 21, 22	(8,634)	(3,398)
Contract liabilities	18	(5,847)	(6,460)
Corporation tax liabilities		(229)	(1,224)
Right-of-use lease liabilities	20	(1,402)	(1,106)
Provisions	24	(190)	(126)
<b>Total current liabilities</b>		<b>(33,503)</b>	<b>(33,958)</b>
<i>Non-current liabilities</i>			
Non-current borrowings	19, 21, 22	(1,935)	(9,718)
Deferred and contingent consideration on acquisitions - non-current	17, 21, 22	(161)	-
Provisions	24	(1,000)	(812)

Provisions	24	(1,000)	(943)
Deferred tax liability	23	(1,548)	(1,979)
Right-of-use lease liabilities	20	(4,601)	(2,466)
<b>Total non-current liabilities</b>		<b>(9,343)</b>	<b>(15,006)</b>
<b>Total liabilities</b>		<b>(42,846)</b>	<b>(48,964)</b>
<b>Total net assets</b>		<b>61,496</b>	<b>64,620</b>
Share capital	25	2,854	569
Share premium reserve	26	28,300	30,581
Other Reserves	26	(64)	(64)
Foreign exchange reserve	26	(2,203)	(1,515)
Retained earnings	26	33,147	35,086
Shares held in treasury	26, 27	(538)	(37)
<b>Capital and reserves attributable to equity holders of the Parent</b>		<b>61,496</b>	<b>64,620</b>
Non-controlling interests		-	-
<b>Total Equity</b>		<b>61,496</b>	<b>64,620</b>

The financial statements were approved by the Board of Directors and authorised for issue on 8 July 2025 and were signed on its behalf by:

**G S Marsh**

Director

**P O James**

Director

### Consolidated statement of cash flows

For the year ended 31 March 2025

		2025		2024	
	Note	£'000	£'000	£'000	£'000
<b>Operating activities</b>					
Profit before taxation			320		12,187
Adjustments for:					
Property, plant and equipment depreciation			1,407		2,069
Right-of-use asset depreciation			1,114		1,040
Amortisation of intangible assets			2,758		2,281
Impairment of intangible assets			2,734		2,281
Loss/ (profit) on disposal of property, plant and equipment			56		(1)
Share-based payment (credit)/ expense			(375)		803
Finance costs			1,014		1,491
Decrease in deferred contingent consideration			-		(21)
Profit from operations before changes in working capital and provisions			9,028		19,849
Increase/ (decrease) in inventories		(2,712)		8,078	
Decrease/ (increase) in trade and other receivables		9,704		(12,175)	
Decrease in trade and other payables		(5,650)		(1,231)	
Increase/ (decrease) in provisions		26		(248)	
			1,368		(5,576)
Cash generated from operations			10,396		14,273
Income taxes paid		(2,565)		(3,331)	
Income taxes received		13		9	
Total taxes paid	7		(2,552)		(3,322)
Net cash inflow from operating activities			7,844		10,951
<b>Investing activities</b>					
Purchase of property, plant and equipment		(2,292)		(1,524)	
Capitalised own costs and purchase of intangible assets		(1,202)		(1,312)	
Proceeds of sales from property, plant and equipment		232		161	
Settlement of deferred consideration in respect of prior year acquisitions	22	-		(5,535)	
Payments for acquisition of subsidiaries net of cash acquired		(2,123)		-	
Net cash outflow from investing activities			(5,385)		(8,210)
<b>Financing activities</b>					
Proceeds from issue of ordinary shares		-		109	
Repurchase of ordinary shares into treasury		(501)		(1)	
Borrowings drawn	22	894		2,126	
Borrowings repaid	22	(3,408)		(3,742)	
Principal payment obligations for right-of-use assets	21	(1,327)		(1,230)	
Interest paid		(1,044)		(1,286)	

Interest received		138	4
Transactions with non-controlling interests		-	(150)
Dividend paid to equity shareholders	9	(2,119)	(2,322)
Net cash outflow from financing activities		(7,367)	(6,492)
Decrease in cash and cash equivalents	22	(4,908)	(3,751)

	2025 £'000	2024 £'000
Translational foreign exchange on opening cash	(24)	(28)
Net decrease in cash	(4,908)	(3,751)
Cash at beginning of year	8,445	12,224
Cash at end of year	3,513	8,445

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

	2025 £'000	2024 £'000
Cash available on demand	3,513	8,445
Overdraft facility	-	(2,056)
Net cash and cash equivalents	3,513	6,389

## Notes to the Financial Statements

For the year ended 31 March 2025

### 1. Accounting policies

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

#### Basis of preparation

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

These financial statements have been prepared in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The Group financial statements are presented in pounds sterling, which is the functional and presentational currency of the Group, and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

#### Going concern

In assessing the going concern position of the Group for the Consolidated Financial Statements for the year ended 31 March 2025, the Directors have considered the Group's cash flows, liquidity and business activities.

At 31 March 2025, the Group has net debt (excluding IFRS16) of £7.4m. Subsequent to year end the Group refinanced all existing facilities, repaying the term loans and setting up a new £15m multi-currency RCF funded by Lloyds Bank PLC and Comerica Bank (see Note 19 for full details). The going concern basis of preparation has been considered in respect of the new leverage and debt service covenants in relation to this facility.

Based on the Group's forecasts, the Directors have adopted the going concern basis in preparing the Financial Statements. The Directors have made this assessment after consideration of the Group's cash flows and related assumptions and in accordance with the Guidance published by the UK Financial Reporting.

In preparing the going concern assessment, the Directors considered the principal risks and uncertainties that the business faced.

The Directors have prepared a base case and a severe downside scenario, taking account of the results to date, current expected demand, and mitigating actions that could be taken, together with an assessment of the liquidity headroom against the cash and bank facilities. The bank facilities are subject to financial covenants; therefore, in evaluating a stressed forecast, the Board only included the RCF in the headroom to the extent it is available within the covenants.

This financial modelling is based a period to 30 September 2026, which has been prepared based on an extension of the budget for FY25/26.

In preparing a severe downside scenario, it assumes a shortfall in Group revenue of ~7% over an 18-month period with limited cost mitigation, resulting in EBITDA reducing by ~29% compared to the Board's base case expectations. Even with this level of reduction to Group EBITDA, when combined with the mitigating actions that are within the Group's control, the Group would fully comply with covenants and maintains sufficient liquidity to meet its liabilities as they fall due.

The Directors have concluded that the likelihood of a scenario whereby the covenant headroom is exhausted is remote and therefore there are no material uncertainties over the Group and Company's ability to continue as a going concern. Nevertheless, it is acknowledged that there are, potentially, material variations in the forecast level of future financial performance.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 15 months; therefore, it is appropriate to adopt a going concern basis for the preparation of the financial statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group and Company were unable to continue as a going concern.

#### Changes in accounting policy and disclosures

### **New standards, amendments and interpretations adopted in the year**

The following new standards, amendments and interpretations have been adopted by the Group for the first time for the financial year beginning on 1 April 2024:

- Amendments to IAS 1 and IFRS Practice Statement 2, regarding the classification of liabilities and non-current liabilities with covenants effective for annual reporting periods beginning on, or after, 1 January 2024
- Amendments to IFRS 16 regarding lease liabilities in a Sale and Leaseback arrangement, effective for annual reporting periods beginning on, or after, 1 January 2024
- Amendments to IAS 7 and IFRS 7, regarding supplier finance arrangements, effective for annual reporting periods beginning on, or after, 1 January 2024

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

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the 31 March 2025 reporting period and have not been early adopted by the Group, are listed below. None of these are expected to have a material impact on the Group's financial results in the current or future reporting periods. The Group intends to adopt these standards considered relevant when they become effective.

- Amendments to IAS 21, regarding whether a currency is exchangeable into another currency at a measurement date and for a specified purpose, effective for annual reporting periods beginning on, or after, 1 January 2025
- Minor annual improvements to IFRS 1 (hedging related), IFRS 7, IFRS 9, IFRS 10 and IAS 7, effective for annual reporting periods beginning on, or after, 1 January 2026
- IFRS 18 issued in April 2024 to replace IAS 1, regarding presentation and disclosure in financial statements, effective for annual reporting periods beginning on, or after, 1 January 2027

### **Principle of consolidation**

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

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

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

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

### **Business combinations**

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

The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Acquisition-related costs are expensed as incurred.

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and acquisition date fair value of any previous equity interest in the acquired entity, over the fair value of the net identifiable assets acquired, is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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

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

### **Impairment of non-financial assets**

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

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

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

statement of recognised income and expense. An impairment loss recognised for goodwill is not reversed.

## **Intangible assets**

### **a) Goodwill**

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

### **b) Development costs**

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

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

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

All research and other development costs are expensed as incurred.

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

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

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

### **c) Software**

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

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

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

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

### **d) Other intangibles**

Other intangible assets are those which arise on business combinations in accordance with IFRS3 revised. These intangible assets form part of the identifiable net assets of an acquired business and are recognised at their fair value and amortised on a systematic basis over their useful economic life which is, typically, five to ten years. This includes the open orderbook, brand and customer relationships, the fair value of which are evaluated using the multi-period excess earnings method ("MEEM").

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

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

## **Property, plant and equipment**

Property, plant and equipment is stated at historical cost or deemed cost where IFRS1 exemptions have been applied, less accumulated depreciation and any recognised impairment losses.

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

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

- Short leasehold property improvements - straight line over minimum life of lease
- Fittings and equipment - 25% per annum on a reducing balance basis or a straight-line basis over three-to-five years with an appropriate residual value as considered most appropriate
- Computers - between 20% and 33.3% per annum on a straight-line basis
- Motor vehicles - 25% per annum on a reducing balance basis

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

## **Leases**

IFRS16 "Leases" addresses the definition of a lease, the recognition and measurement of leases and establishes the principles for the reporting useful information to users of the financial statements about the leasing activities of both lessees and lessors.

The Group has applied judgement to determine the lease term for some lease contracts, in which, as lessee, there includes a renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognised.

The lease liability reflects the present value of the future rental payments and interest, discounted using either the effective interest rate or the incremental borrowing rate of the entity.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis over the lease term as an expense within the income statement.

### **Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at, or before, the commencement date less any lease incentives received. Right-of-use assets are related to the property leases, plant and machinery and motor vehicles, and are depreciated on a straight-line basis over the lease term.

### **Right-of-use lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include lease payments less any lease incentives receivable. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments).

## **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is based on either average purchase cost or the cost of purchase on a first in, first out basis, which is the most appropriate for the category of inventory. 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.

## **Financial instruments**

Classification and measurement of financial instruments under IFRS9 classifies financial assets as held at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss, dependent on the business model and cash flow characteristics of the financial instrument.

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument.

### **Trade and other receivables**

Trade receivables are initially measured at their transaction price. Other receivables are initially recognised at fair value plus transaction costs.

Receivables are held to collect the contractual cash flows, which are solely payments of principal and interest. Therefore, these receivables are, subsequently, measured at amortised cost using the effective interest rate method.

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

### **Cash and cash equivalents**

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

### **Impairment of financial assets**

IFRS9 requires an expected credit loss ("ECL") model, which broadens the information that an entity is required to consider when determining its expectations of impairment. Under this new model, expectations of future events must be taken into account, and this will result in the earlier recognition of potential impairments.

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

### **Impairment of trade receivables**

For trade receivables, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the ageing of the receivable.

The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses"). Different provision rates and periods are used based on groupings of historic credit loss experience by product type, customer type and location.

### **Impairment of other receivables**

The measurement of impairment losses depends on whether the financial asset is "performing", "underperforming" or "non-performing" based on the Company's assessment of increases in the credit risk of the financial asset since its initial recognition and any events that have occurred before the year end, which have a detrimental impact on cash flows.

The financial asset moves from "performing" to "underperforming" when the increase in credit risk since initial recognition becomes significant.

In assessing whether credit risk has increased significantly, the Company compares the risk of default at the year

end with the risk of a default when the investment was, originally, recognised using reasonable and supportable past and forward-looking information that is available without undue cost.

The risk of a default occurring takes into consideration default events that are possible within 12 months of the year end ("the 12-month expected credit losses") for "performing" financial assets, and all possible default events over the expected life of those receivables ("the lifetime expected credit losses") for "underperforming" financial assets.

Impairment losses and any, subsequent, reversals of impairment losses are adjusted against the carrying amount of the receivable and are recognised in profit or loss.

### **Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial liabilities are classified as either:

- Financial liabilities at amortised cost; or
- Financial liabilities as at fair value through profit or loss ("FVTPL").

Any contingent consideration due in relation to acquisitions is measured at FVTPL with all other financial liabilities measured at amortised cost and include:

- Trade and other payables
- Contract liabilities
- Borrowings
- Lease liabilities
- Deferred consideration for acquisitions

### **Trade payables**

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

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

They are, initially, recognised at fair value net of direct transaction costs and, subsequently, held at amortised cost.

### **Contract liabilities**

Contract liabilities comprise payments in advance of revenue recognition and revenue deferred due to contract performance obligation not being completed.

They are classified as current liabilities if the contract performance obligations payment are due to be completed within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Contract liabilities are recognised, initially, at fair value, and, subsequently, stated at amortised cost.

### **Borrowings**

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

### **Equity instruments and share capital**

Ordinary shares are classified as equity.

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

### **Treasury shares**

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

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

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

### **Dividends**

Equity dividends are recognised when they become legally payable. Interim dividends are recognised when paid. Final dividends are recognised when approved by the shareholders at an Annual General Meeting.

### **Adjusted performance metrics and non-recurring charges/credits**

Non-recurring charges/credits are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. Transactions are classified as non-recurring where they relate to an event that falls outside of the ordinary activities of the business and where, individually or in aggregate, they have a material impact on the financial statements.

In presenting our adjusted performance metrics, we also exclude the non-cash charges/credits that relates to acquisition accounting and share-based payments and the associated tax effect of these items.

### **Foreign currency**

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

### **Revenue**

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



customers after acceptance, excluding sales added taxes.

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

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

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

Where performance obligations have not be satisfied at the reporting date, any advanced payments are recognised as contract liabilities.

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.

Certain contracts contain distinct performance obligations, each of which transfers control of goods or services to the customer. Where such distinct performance obligations are present, revenue is recognised on each element in accordance with the policy on the sale of goods. The service element of the contract is usually insignificant in relation to the total contract value and revenue is recognised when the service is complete.

Where this is not the case, revenue is recognised in proportion to the stage of completion of the contract at the balance sheet date, where the terms of the contract allow an invoicing, including a reasonable margin, in the event of customer cancellation. The stage of completion is assessed by reference to the contractual performance obligations with each separate customer and the costs incurred on the contract to date in comparison to the total forecast costs of the contract. Revenue recognition commences only when the outcome of the contract can be reliably measured.

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

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

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

### **Segmental reporting**

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

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

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

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

### **Government grants**

Income received from government grants is recognised as "Other Income" within operating profit in the statement of comprehensive income in the same period as the staff costs to which the income relates. Government grant income is only recognised once there is reasonable assurance both that the Group will comply with any conditions and that the grant will be received.

### **Pensions**

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

### **Current and deferred taxation**

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

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

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

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

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position 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 statement of financial position date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

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

#### **Share-based payment**

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

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

## **2. Critical accounting estimates and judgements**

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies and relevant legislation. This note provides an overview of the areas that involved a higher degree of judgement or estimation complexity as noted, and of items that are more likely to be materially adjusted due to assumptions driving the estimates or judgements turning out to be wrong.

#### **Carrying value of goodwill (estimation and judgement)**

Goodwill arising from the acquisition of subsidiaries is assessed for impairment for each identified CGU and is reviewed for impairment at least annually. For the 2025 financial statements, the critical estimation was the level of impairment for the Custom Power USA CGU. Note 13 provides a summary of the key inputs that drove the estimation for the value in use assessment including the growth rate and discount rate applied. Management has had to apply significant judgement in the assessment of the potential impact of future events where the timing of the cashflows is uncertain and could materially impact the resulting impairment assessment. Management, with review and input from the Audit Committee recognised an estimated impairment of £2.7m based on the prudently sensitised base case assessment.

#### **Provisions for slow-moving or obsolete inventories (estimation)**

Inventories are carried at the lower of cost and net realisable value ("NRV"). NRV is reviewed in detail on an ongoing basis and provision for obsolete inventory is made based on several factors including age of inventories, the risk of technical obsolescence, the risk that customers default on customised product and the expected future usage. This estimate is considered highly judgemental as the profile of inventory holdings can vary significantly year on year and market conditions (i.e. component shortages) can significantly impact the estimation. An element of working capital risk can be mitigated with receiving advance customer deposits; however, there remains a risk of default and order cancellation.

Differences between such estimates and actual market conditions may have a material impact on the amount of the carrying value of inventories and may result in adjustments to cost of sales. In Note 15 we provide details of the inventory provisions and the amounts written off to the consolidated statement of comprehensive income in the year.

Year-on-year we have seen an increase in the gross inventory values held, primarily due to a new franchise in the USA and the two acquisitions. Subsequent to the increase in stock holdings as a result of previous supply chain shortages there is a risk of the remaining inventory becoming excess or obsolete. The absolute provisions have increased by £1.1m reflecting increases in relation to specific customer allocated inventory and the ageing profile, with the provision as an overall percentage of gross stock provided for increasing by 1.4%.

#### **Expected credit losses (estimation)**

In accordance with IFRS 9, the Group is required to assess the expected credit loss occurring over the life of its trade receivables. The Directors recognise that the risk of credit default continues to be higher than historical norms as the Group's receivables increase. The Group has experienced no material credit losses in the reported period after careful credit management; however, it has written off £0.4m of non-recoverable debt in the year compared to £0.0m in the comparative period. As a result, the Directors have made a judgemental assessment of the potential credit losses in the current business environment. This includes macro-economic factors such as significant movements in the USD exchange rate, tariff impacts and specific component shortages impacting larger project delivery dates and the resultant impact to customer cashflow.

In these financial statements the Directors have provided full disclosures of the provisions for credit default in Note 21.

The calculation of the provision based on the Directors' judgemental assessment of expected credit loss reflects a £0.5m decrease to the overall figure from 2024 as a result of an improvement in the aging of receivables and good recovery of balances specifically provided in 2024.

If the Group were to provide for all debt that is overdue according to agreed credit terms, the recognised provision would increase by £0.8m to £1.3m.

#### **Estimated useful life of intangible assets arising on acquisitions (estimation)**

The periods of amortisation adopted to write down intangible assets arising on acquisitions (Note 12) requires estimates to be made in respect of the useful economic lives of the intangible assets to determine an appropriate amortisation rate.

Intangible assets arising on acquisitions are amortised on a straight-line basis over the period during which economic benefits are expected to be received, which is, typically, five to ten years.

The amortisation charge for intangible assets arising on acquisitions is £1.9m; if the remaining useful economic lives of the acquired assets were limited to 5 years the charge would increase by £0.1m.

#### **Level of R&D expenditure that is eligible for R&D tax credits (judgement)**

Uncertainties exist in relation to the interpretation of complex tax legislation, changes in tax laws and the amount and timing of future taxable income. This could necessitate future adjustments to taxable income and expense already recorded (Note 7).

At the year-end date, tax liabilities and assets reflect management's judgements in respect of the application of the tax regulations, in particular the R&D tax. In assessing our year-end corporation tax liability, we have made a provisional assessment as to the likely amount of development expenditure that will be eligible under the R&D tax credit scheme as the detailed tax computations have not been finalised. The assumption reflects that the level of R&D spend is comparable with the prior year submitted R&D claims. The result of this is an RDEC credit of £0.5m (2024: £0.3m) which has been recognised in Other Income.

Our estimated taxation exposure at year end assumed that the level of eligible R&D spend was comparable with prior years. At 31 March 2025, the net current and deferred tax position is an asset of £0.7m (2024: £2.5m payable).

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

#### Recognition criteria for capitalisation of development expenditure (judgement)

The Group capitalises R&D in accordance with IAS 38 (Note 12). There is judgement in respect of when (or if) R&D projects meet the requirement for capitalisation, which internal costs are directly attributable and, therefore, appropriate to capitalise, and when the development programme is complete and capitalisation should cease.

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

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

#### Revenue recognition on customer contracts spanning financial periods (estimate and judgement)

The Group continues to enter into contracts with customers that require judgement on appropriate milestones to recognise the related revenue in accordance with IFRS 15. These contracts are included within contract liabilities, in addition to advance payments from customers, and there was a £0.6m decrease in overall contract liabilities (Note 18) in the financial year.

Key judgements can include the timing of the transfer of ownership of inventory to the customer under bill-and-hold arrangements as well as the determination of the appropriate contractual milestones and whether the criteria have been met to recognise revenue. A further area of judgement is whether revenue can be recognised on a costs incurred to date basis, plus a reasonable margin to support revenue recognition over time. To apply a percentage of completion methodology requires a reasonable estimation of the total expected costs to complete and the contractual ability to recover the costs to date plus a margin in the event of customer cancellation.

For material contracts that involve a significant level of judgement, management from various business areas will document and communicate the key judgement areas regarding ownership obligations, contractual commitments, and any other relevant inputs to result in the recognition of revenue to the Audit Committee to ensure this judgement is appropriately reviewed and challenged.

#### Share based payment charge (estimate and judgement)

The Group recognised a Share Based Payment credit of £0.4m in 2025. This credit arises as a result of the reduction in the level of performance, which means that a number of the share options are not expected to meet performance conditions to vest which, in previous years, had been expected to vest.

If the performance were to improve sufficiently to see the options meet the vesting criteria, the share based payments charge would be circa £1.2m higher.

### 3. Revenue

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

	2025 £'000	2024 £'000
<b>Geography</b>		
United Kingdom	75,071	69,921
Rest of Europe	14,719	55,360
Asia	3,538	8,759
North America	28,693	28,667
Rest of World	3,043	596
<b>Total revenue</b>	<b>125,064</b>	<b>163,303</b>
<b>Product</b>		
Computing products	22,299	21,740
Communications products	19,800	53,530
Power products	29,041	28,120
Opto-electronics and electronic components and modules	53,924	59,913
	<b>125,064</b>	<b>163,303</b>

£1.6m of revenue was recognised over time in proportion to the contractual stage of completion and £123.4m at a point in time. See further segmental disclosures in Note 31.

### 4. Operating profit

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

	2025 £'000	2024 £'000
Staff costs excluding share-based payments (see Note 5)	26,877	28,714
Share-based payment (credit)/ expense	(375)	803
Depreciation of property, plant and equipment	1,407	1,581
Depreciation of right of use asset	1,411	1,040

Depreciation of right-of-use asset	1,114	1,040
Amortisation of intangible assets	2,758	2,291
Impairment of intangible assets	2,734	-
Loss/ (profit) on disposal of property, plant and equipment	56	(1)
Auditors' remuneration - audit fees	295	247
Research and development costs (includes relevant staff costs)	2,900	2,530
RDEC Credit	(552)	(277)
Foreign exchange expense	108	191
Stock write downs (see Note 15)	1,827	2,049
Acquisition of subsidiaries legal and due diligence	81	78
Other income from insurance claims	(97)	-

The foreign exchange differences have been treated as an adjustment to cost of sales rather than as an overhead as they arise from sales income and cost-of-sales expenditures. The impairment of intangible assets has been included in the Sales, general and administration line in the Statement of Comprehensive Income.

## 5. Staff costs

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

	2025 £'000	2024 £'000
Wages and salaries	22,085	24,485
Social security costs	2,374	2,331
Pension costs	2,418	1,898
Share-based payment (credit)/ charges	(375)	803
<b>Total staff costs</b>	<b>26,502</b>	<b>29,517</b>

Wages and salaries include termination costs of £431k (2024: £375k).

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

	2025 Number	2024 Number
Selling and distribution	168	158
Manufacturing and assembly	170	176
Management and administration	91	99
	<b>429</b>	<b>433</b>

As the Group grows, we continue to invest in and develop the senior leadership team, who are considered to be the key management personnel. Detailed disclosures in relation to Non-Executive and Executive remuneration can be found in the Remuneration Report.

This senior leadership team includes the Executive Directors. The key management team and their total compensation, including employer's NI, totals £1,738k (2024: £2,436k). The amount credited in respect of share-based payments for key management personnel is £(308)k (2024: charge of £540k). The amount charged in respect of defined contribution pension payments for key management personnel is £92k (2024: £56k). Retirement benefits are accruing to 4 Directors under money purchase schemes (2024: 4).

## 6. Finance costs

	2025 £'000	2024 £'000
Bank borrowings	1,027	1,321
Interest on lease liabilities	113	139
Imputed interest	18	35
Interest income	(144)	(4)
<b>Total finance costs</b>	<b>1,014</b>	<b>1,491</b>

## 7. Tax expense

	2025 £'000	2024 £'000
<b>Analysis of total tax expense</b>		
Total tax (credit)/ charge	(192)	3,281
	(192)	3,281
<b>Current tax expense</b>		
Group corporation tax on profits for the year	1,163	3,795
Adjustment in respect of prior periods	(142)	(80)
	1,021	3,715
<b>Deferred tax expense</b>		
Deferred tax expense (credited)/ charged to income statement	(737)	(190)
Adjustment in respect of prior periods	(476)	(244)
	(1,213)	(434)
<b>Total tax (credit)/ charge to income statement</b>	<b>(192)</b>	<b>3,281</b>
Deferred tax expense credited to other comprehensive income	(43)	-
<b>Total tax (credit)/ charge to comprehensive income</b>	<b>(235)</b>	<b>3,281</b>

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

	2025 £'000	2024 £'000
Profit before tax	320	12,187

Expected tax charge based on the standard rate of corporation tax in the

UK of 25% (2024: 25%)	80	3,047
Effect of:		
Expenses not deductible for tax purposes	374	137
Non-taxable credit	(59)	(69)
Tax difference in relation to share options	(222)	(30)
Unrecognised tax losses	258	513
Adjustments in respect of prior years	(618)	(324)
Overseas tax rate differences	(8)	-
Foreign exchange	3	7
<b>Total tax charge</b>	<b>(192)</b>	<b>3,281</b>

The UK corporation tax rate is 25%, effective from 1 April 2023 (2024: 25%). The deferred tax liabilities and assets on 31 March 2025 and comparative figures from 31 March 2024 have been calculated based on the 25% rate.

#### R&D tax credits

The Group recognised a credit of £552k (2024: £277k) within other income in relation to claims made under the Research & Development expenditure credit scheme ("RDEC").

#### 8. Earnings per share

The earnings per share is based on the following:

	2025 £'000	2024 (Restated) <sup>2</sup> £'000	2024 £'000
Adjusted earnings post tax attributable to equity holders of the parent	3,563	11,646 <sup>1</sup>	11,646 <sup>1</sup>
Earnings post tax attributable to equity holders of the parent	512	8,872	8,872
Weighted average number of shares	56,826,189	56,708,181	11,372,709
Diluted number of shares	57,487,575	57,954,018	11,667,041
<b>Reported EPS</b>			
Basic EPS from profit for the year	0.9p	15.6p	78.0p
Diluted EPS from profit for the year	0.9p	15.3p	76.0p
<b>Adjusted EPS</b>			
Adjusted Basic EPS from profit for the year	6.3p	20.5p	102.4p
Adjusted Diluted EPS from profit for the year	6.2p	20.1p	99.8p

1 Calculated as Adjusted profit after taxation (£11,680k) excluding the non-controlling interest profit (£34k).

2 Restated for the impact of the 4 for 1 bonus share issue, assuming it was completed on 1st April 2023.

Earnings per ordinary share has been calculated using the weighted average number of shares in issue during the year, assuming the October 4 for 1 bonus issue occurred on 1 April 2024 to enable comparability. The weighted average number of equity shares in issue was 56,826,189 (2024 on consistent basis: 56,708,181; 2024 as disclosed: 11,372,709) net of the treasury shares disclosed in Note 27. 157,500 vested and 1,572,000 unvested options are not included in the dilution calculation as deemed anti-dilutive. The post tax earnings are attributable to shareholders of Solid State PLC excluding non-controlling interests.

The diluted earnings per share is based on 57,487,575 (2024 on consistent basis: 57,954,018; 2024 as disclosed: 11,667,041) ordinary shares which allow for the exercise of all vested dilutive potential ordinary shares.

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

#### 9. Dividends

	2025 £'000	2024 £'000
Prior year final dividend paid of 14.5p per share (2024: 13.5p)	1,650	1,529
Current year interim dividend paid of 0.83p per share (2024: 7p)	474	794
Cancelled dividends on shares held in treasury	(5)	(1)
	<b>2,119</b>	<b>2,322</b>
Final dividend proposed for the year 1.67p per share (2024: 14.5p)	<b>953</b>	<b>1,650</b>

The post bonus share issue equivalent for the prior year final 14.5p is 2.9p per share and for the comparative 7p interim dividend is 1.4p per share.

The proposed final dividend has not been accrued for as the dividend will be approved by the shareholders at the Annual General Meeting. Subject to approval, the ex-dividend date will be 11 September 2025 with the cash payment date 30 September 2025.

#### 10. Property, plant and equipment

	Land and Buildings £'000	Short Leasehold Property Improvements £'000	Motor Vehicles £'000	Fittings, Equipment and Computers £'000	Total £'000
<b>Year ended 31 March 2025</b>					
<b>Cost</b>					
1 April 2024	488	2,695	1,191	6,463	10,837
Foreign exchange	-	(3)	-	(35)	(38)
Acquisitions	-	-	51	265	316
Additions	-	1,083	346	1,109	2,538
Disposals	-	-	(337)	(176)	(513)
<b>31 March 2025</b>	<b>488</b>	<b>3,775</b>	<b>1,251</b>	<b>7,626</b>	<b>13,140</b>
<b>Depreciation and impairment</b>					
1 April 2024	488	1,507	510	4,103	6,608
Foreign exchange	-	(1)	-	(14)	(15)
Charge	-	234	209	964	1,407
Impairment	-	-	-	-	-

Impairment	-	-	(208)	(139)	(347)
Disposals	-	-	(208)	(139)	(347)
<b>31 March 2025</b>	<b>488</b>	<b>1,740</b>	<b>511</b>	<b>4,914</b>	<b>7,653</b>
<b>Net book value</b>					
<b>31 March 2025</b>	<b>-</b>	<b>2,035</b>	<b>740</b>	<b>2,712</b>	<b>5,487</b>

	Land and Buildings £'000	Short Leasehold Property Improvements £'000	Motor Vehicles £'000	Fittings, Equipment and Computers £'000	Total £'000
<b>Year ended 31 March 2024</b>					
<b>Cost</b>					
1 April 2023	496	2,071	997	6,179	9,743
Foreign exchange	(8)	(2)	-	(22)	(32)
Additions	-	627	245	830	1,702
Disposals	-	(1)	(51)	(524)	(576)
<b>31 March 2024</b>	<b>488</b>	<b>2,695</b>	<b>1,191</b>	<b>6,463</b>	<b>10,837</b>
<b>Depreciation and impairment</b>					
1 April 2023	-	1,172	385	3,468	5,025
Foreign exchange	-	-	-	(8)	(8)
Charge	-	335	167	1,079	1,581
Impairment	488	-	-	-	488
Disposals	-	-	(42)	(436)	(478)
<b>31 March 2024</b>	<b>488</b>	<b>1,507</b>	<b>510</b>	<b>4,103</b>	<b>6,608</b>
<b>Net book value</b>					
<b>31 March 2024</b>	<b>-</b>	<b>1,188</b>	<b>681</b>	<b>2,360</b>	<b>4,229</b>

#### 11. Right-of-use lease assets

	Land and Buildings £'000	Motor Vehicles/Other £'000	Total £'000
<b>Year ended 31 March 2025</b>			
<b>Cost</b>			
1 April 2024	7,361	262	7,623
Acquisitions	205	-	205
Additions	3,422	64	3,486
Disposals	(1,826)	(213)	(2,039)
Foreign exchange	(63)	-	(63)
<b>31 March 2025</b>	<b>9,099</b>	<b>113</b>	<b>9,212</b>
<b>Depreciation</b>			
1 April 2024	3,871	166	4,037
Charge for the year	1,072	42	1,114
Disposals	(1,826)	(172)	(1,998)
Foreign exchange	(16)	-	(16)
<b>31 March 2025</b>	<b>3,101</b>	<b>36</b>	<b>3,137</b>
<b>Net book value</b>			
1 April 2024	3,490	96	3,586
<b>31 March 2025</b>	<b>5,998</b>	<b>77</b>	<b>6,075</b>

	Land and Buildings £'000	Motor Vehicles/Other £'000	Total £'000
<b>Year ended 31 March 2024</b>			
<b>Cost</b>			
1 April 2023	4,775	220	4,995
Additions	2,595	59	2,654
Disposals	-	(17)	(17)
Foreign exchange	(9)	-	(9)
<b>31 March 2024</b>	<b>7,361</b>	<b>262</b>	<b>7,623</b>
<b>Depreciation</b>			
1 April 2023	2,851	163	3,014
Charge for the year	1,020	20	1,040
Disposals	-	(17)	(17)
<b>31 March 2024</b>	<b>3,871</b>	<b>166</b>	<b>4,037</b>
<b>Net book value</b>			
1 April 2023	1,924	57	1,981
<b>31 March 2024</b>	<b>3,490</b>	<b>96</b>	<b>3,586</b>

#### 12. Intangible assets

	Development costs £'000	Computer software £'000	Patents and Trademarks	Goodwill £'000	Acquisition intangible Assets £'000	Total £'000
<b>Year ended 31 March 2025</b>						
<b>Cost</b>						
1 April 2024	3,617	1,270	-	29,411	15,370	49,668
Foreign exchange	(1)	(1)	-	(454)	(161)	(617)
Acquisitions	-	1	-	588	1,197	1,786
Additions	846	199	157	-	-	1,202
Disposals	-	(82)	-	-	-	(82)
<b>31 March 2025</b>	<b>4,462</b>	<b>1,387</b>	<b>157</b>	<b>29,545</b>	<b>16,406</b>	<b>51,957</b>
<b>Amortisation</b>						
1 April 2024	2,478	634	-	-	6,760	9,872

1 April 2024	2,176	821	-	-	6,762	9,559
Foreign exchange	-	-	-	(21)	(38)	(59)
Charge for the year	654	194	1	-	1,909	2,758
Impairment	-	-	-	2,734	-	2,734
Disposals	-	(3)	-	-	-	(3)
<b>31 March 2025</b>	<b>2,830</b>	<b>812</b>	<b>1</b>	<b>2,713</b>	<b>8,633</b>	<b>14,989</b>
<b>Net book value</b>						
<b>31 March 2025</b>	<b>1,632</b>	<b>575</b>	<b>156</b>	<b>26,832</b>	<b>7,773</b>	<b>36,968</b>

The cost of acquisition intangible assets includes the estimated net present value identified on acquisition of:

- customer relationships with a net book value of £6.7m and a remaining useful economic life between one and eight years; and
- brand with a net book value of £1.9m and a remaining useful economic life of approximately five years.

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

	Development costs £'000	Computer software £'000	Goodwill £'000	Acquisition intangible assets £'000	Total £'000
<b>Year ended 31 March 2024</b>					
<b>Cost</b>					
1 April 2023	2,593	1,087	29,726	15,475	48,881
Foreign exchange	-	(2)	(315)	(105)	(422)
Additions	1,024	288	-	-	1,312
Disposals	-	(103)	-	-	(103)
<b>31 March 2024</b>	<b>3,617</b>	<b>1,270</b>	<b>29,411</b>	<b>15,370</b>	<b>49,668</b>
<b>Amortisation</b>					
1 April 2023	1,911	455	-	4,952	7,318
Foreign exchange	-	10	-	(9)	1
Charge for the year	265	197	-	1,819	2,281
Disposals	-	(41)	-	-	(41)
<b>31 March 2024</b>	<b>2,176</b>	<b>621</b>	<b>-</b>	<b>6,762</b>	<b>9,559</b>
<b>Net book value</b>					
<b>31 March 2024</b>	<b>1,441</b>	<b>649</b>	<b>29,411</b>	<b>8,608</b>	<b>40,109</b>

	Cost £'000	NBV £'000
Systems Division commercial relationships	9,194	5,518
Components Division commercial relationships	7,212	2,255
<b>31 March 2025</b>	<b>16,406</b>	<b>7,773</b>

### 13. Goodwill and impairment

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

	2025 £'000	2024 £'000
Systems Division - UK	3,946	3,946
Systems Division - Custom Power USA	16,347	19,513
Systems Division - QPAR USA (see Note 34)	186	-
Components division	6,353	5,952
<b>Total</b>	<b>26,832</b>	<b>29,411</b>

The recoverable amounts of the above groups of CGUs, excepting Custom Power USA, have been determined from a review of the current and anticipated performance of these units using a value-in-use calculation over a period of five years then a terminal value. In preparing the base case projection, a pre-tax discount rate of between 11% and 12% (2024: between 11% and 12%) was used based on the Group's estimated weighted average cost of capital.

Future growth rates of 5% to 20% based on the markets and a terminal growth rate of 2.5% (2024: 2.5%) have been assumed beyond the first year. The projection is based on the FY25/26 budget approved by the Board of Directors. It has been assumed that investment in capital equipment will equate to depreciation over this period. The key assumptions are the growth rates and discount rates. The recoverable amount exceeds the carrying amount for the Group by circa £100m (2024: £80.5m) in the base case. The UK groups of CGUs have very significant headroom (in excess of 150%) and it is not considered reasonably possible that changes to the assumptions would trigger an impairment.

However, the Systems division Custom Power USA CGU has been adversely impacted by post COVID de-stocking combined with higher customer churn, having exited some low margin business and a few designs going to low value-add solutions. In addition, the original integration plan was disrupted by the need to make leadership and management changes in the US operations, which took longer than originally anticipated. These factors, combined with the recent geopolitical uncertainty, including rapid changes in US policy and tariffs, means that the carrying value of the goodwill in relation to this CGU has been written down by £2.7m in the period. The remaining goodwill associated with the USA Systems CGU is 21.1m (2024: 24.6m) and the value in GBP recalculated at the exchange rate at the reporting date is £16.3m (2024: £19.5m).

### 14. Subsidiaries

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

Subsidiary undertakings		Proportion of voting rights and Ordinary share capital held	Nature of business
Solid State Supplies Limited	UK	100%	Supply of electronic components

Solid State Supplies Limited	UK	100%	Supply of electronic components
Steatite Limited	UK	100%	Supply of electronic components and manufacture of electronic equipment
Custom Power Holdings Inc	USA	100%	Holding company
Custom Power LLC <sup>1</sup>	USA	100%	Battery systems and energy solutions supplier
Solsta Holdings Inc	USA	100%	Holding company
Solid State US, Inc	USA	100%	Holding company
Steatite Systems Holdings Inc <sup>1</sup>	USA	100%	Holding company
Pacer Technologies Limited <sup>3</sup>	UK	100%	Non-trading entity
Pacer Components Limited <sup>1</sup>	UK	100%	Supply of opto-electronic components
Pacer USA LLC <sup>1</sup>	USA	100%	Supply of opto-electronic components
Willow Technologies Limited	UK	100%	Supply of opto-electronic components
American Electronic Components, Inc. <sup>1</sup>	USA	100%	Supply of opto-electronic components
Active Silicon Limited	UK	100%	Digital image design and manufacturing
Active Silicon, Inc. <sup>1</sup>	USA	100%	Manufacturing sales facility
Solid State Supplies Electronics Limited	Ireland	100%	Sales office
eTech Developments Limited	UK	100%	Engineering consultation
Q-PAR Antennas USA, LLC <sup>1 2</sup>	USA	100%	Distribution of Antennas Equipment
Gateway Electronic Components Limited <sup>2</sup>	UK	100%	Ferrite and magnetic components and solutions
Custom Power Limited <sup>3</sup>	UK	100%	Non-trading entity
Creasefield Limited <sup>3</sup>	UK	100%	Non-trading entity
Q-Par Angus Limited <sup>3</sup>	UK	100%	Non-trading entity
Ginsbury Electronics Limited <sup>3</sup>	UK	100%	Non-trading entity
Wordsworth Technology Kent Limited <sup>3</sup>	UK	100%	Non-trading entity
Solsta Limited <sup>3</sup>	UK	100%	Non-trading entity
Durakool Limited <sup>3</sup>	UK	100%	Non-trading entity

1 Indirect holdings. All other holdings are direct.

2 From acquisition date of 1 October 2024 for Gateway and 1 November 2024 for Q-PAR Antennas.

3 The non-trading entities are exempt from preparing individual accounts under s394A and exempt from filing individual accounts with the Registrar under s448A of the Companies Act.

Aside from the operations in the USA and Ireland identified above, the countries of operation and of incorporation are England and Wales, with the same registered office as Solid State PLC. The registered offices for operations in the US and Ireland are listed below.

Subsidiary undertaking	Registered office
Pacer USA LLC	913 10th Street, Elkhart, IN 46516, USA
American Electronic Components, Inc.	1101 Lafayette Street, Elkhart, Indiana, 46516, USA
Active Silicon, Inc.	479 Jumpers Hole Road, Suite 301, Sevens Park, MD 21146, USA
Solid State Supplies Electronics Limited	3rd Floor Ulysses House, 23/24 Foley Street, Dublin 1, Dublin D01 W2T2, Ireland
Custom Power Holdings Inc	10910 Talbert Ave, Fountain Valley, CA 92708, USA
Custom Power LLC	10910 Talbert Ave, Fountain Valley, CA 92708, USA
Solid State US, Inc	10910 Talbert Ave, Fountain Valley, CA 92708, USA
Steatite Systems Holdings Inc	10910 Talbert Ave, Fountain Valley, CA 92708, USA
Q-PAR Antennas USA, LLC	10910 Talbert Ave, Fountain Valley, CA 92708, USA
Solsta Holdings Inc.	1209 Orange Street, Wilmington, County of New Castle, Delaware 19801

As set out in the Audit Committee Report, the 100% owned UK trading subsidiaries are exempt from the requirements to have an audit and file audited financial statements by virtue of Section 479A of the Companies Act 2006. In adopting the exemption, Solid State PLC has provided a statutory guarantee to these subsidiaries in accordance with Section 479C of the Companies Act 2006.

## 15. Inventories

	2025 £'000	2024 £'000
Finished goods and goods for resale	23,807	21,748
Work in progress	4,432	3,336
<b>Total inventories</b>	<b>28,239</b>	<b>25,084</b>

The Directors are of the opinion that the replacement value of inventories is not materially different to the carrying value stated above. These carrying values are stated net of provisions of £5.2m (2024: £4.1m).

A provision increase of £1.8m (2024: £2.0m) was recognised in the cost of sales during the year against inventory due to slow-moving and obsolete items. £1.0m (2024: £3.0m) of inventory was written off against provisions held.

Inventory recognised in cost of sales during the year, as an expense, was £75.9m (2024: £105.3m).

## 16. Trade and other receivables

	2025 £'000	2024 £'000
Trade receivables	18,361	27,997
Other receivables	209	154
Prepayments	3,046	3,375
	<b>21,616</b>	<b>31,526</b>

An impairment credit against trade receivables of £162k (2024: loss of £407k) was recognised within operating costs



during the year.

## 17. Trade and other payables

	Note	2025 £'000	2024 £'000
Trade payables		10,071	10,011
Other taxes and social security taxes		1,252	3,945
Other payables		712	322
Accruals		4,985	7,366
Trade and other payables		17,020	21,644
Deferred consideration on acquisitions	21	181	-
		17,201	21,644

## 18. Contract liabilities

	2025 £'000	2024 £'000
Contract liabilities	5,847	6,460

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

Revenue recognised within the year includes £3,556k (2024: £2,923k), which was included within contract liabilities in the prior year. Completion date slippages on larger programmes drives the remaining balance retained in deferred income.

## 19. Bank borrowings and facilities

	2025 £'000	2024 £'000
<b>Current borrowings</b>		
Bank borrowings - overdraft facility	-	2,056
Bank borrowings - term loans	8,634	1,342
<b>Non-current borrowings</b>		
Bank borrowings	1,935	9,718
<b>Total borrowings</b>	<b>10,569</b>	<b>13,116</b>
	2025 £'000	2024 £'000
Within one year	8,634	3,398
Between one and two years	1,935	7,734
Between two and five years	-	1,984
<b>Total borrowings</b>	<b>10,569</b>	<b>13,116</b>

The bank facilities 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 the following facilities:

- The Group has a Term Loan of £6.5m entered into in August 2022 as part of the Custom Power acquisition financing that is repayable in full in August 2025. The full principal balance was utilised at year end. The Group settled this facility in full as part of the post year-end refinance.
- The Group also entered into a Term Loan of £6.5m in August 2022 as part of the Custom Power acquisition financing that is repayable in quarterly tranches over a five-year period. A principal balance of £3.25m was outstanding at year end. The Group settled this facility in full as part of the post year-end refinance.
- A revolving credit facility of £10.0m (2024: £10.0m) of which £Nil (2024: £Nil) was drawn at the balance sheet date. This facility was committed until November 2024 and was renewed in March 2024 to a November 2025 commitment date. This facility was superseded as part of the post year-end refinance.
- The Group has a multi-currency overdraft facility of £5.0m (2024: £5.0m), not utilised at year end (2024: £2.1m).
- The Group has a facility in the USA of 3.0m (2024: 3.0m) with a principal balance of 1m drawn down in the period and outstanding at year end (2024: Nil). The Group settled this facility in full as part of the post year-end refinance.

The multi-currency overdraft facility is in place to provide flexibility in financing short-term multi-currency working capital requirements. This facility is available to utilise as long as the overall balance netted across all accounts in the bank nets to an overall position of £Nil or higher.

The Group's banking facilities are subject to three financial covenants, being: leverage, debt service and a tangible net worth covenant. These covenants were met at all measurement points throughout the period.

On the 18th of May 2025 the Group refinanced the existing facilities as disclosed above with a new multicurrency RCF funded by Lloyds Bank PLC and Comerica Bank. The facility is for £15.0m and is committed for three years, with two optional twelve-month extension options, and can be drawn in other optional currencies as well as GBP. An additional accordion commitment of £10m can also be requested during the availability period. The multi-currency overdraft facility of £5m remains in place as part of this agreement in addition to the potential for short-term working capital support for specific contracts by using a temporary net overdraft. The new facilities are subject to leverage and debt service covenants.

## 20. Right-of-use lease liabilities

	2025 £'000	2024 £'000
Current right-of-use lease liabilities	1,402	1,106
Non-current right-of-use lease liabilities	4,601	2,466
<b>Total right-of-use lease liabilities</b>	<b>6,003</b>	<b>3,572</b>

2025 2024

	£'000	£'000
Within one year	1,402	1,106
Between one and two years	1,173	1,307
Between two and five years	2,888	1,159
Over five years	540	-
<b>Total right-of-use lease liabilities</b>	<b>6,003</b>	<b>3,572</b>

Lease liabilities relate to leased properties and vehicles and an analysis of the undiscounted maturity analysis of the remaining lease payments is presented in Note 21.

The following is a reconciliation of the Group's lease liabilities:

	2025 £'000	2024 £'000
<b>Right-of-use lease liabilities at 1 April</b>	<b>3,572</b>	<b>2,043</b>
Additions	3,486	2,654
Acquisitions	205	-
Payments made	(1,327)	(1,237)
Discounting charge	113	139
Disposals	-	(17)
Foreign Exchange	(46)	(10)
<b>Right-of-use lease liabilities at 31 March</b>	<b>6,003</b>	<b>3,572</b>

Extension and termination options are included in a number of property leases across the Group. Lease liabilities have been recognised up to the next lease break point where the Group has the option to exit at that point in time. This is re-assessed annually and when a decision has been made not to exercise a break clause, the corresponding liability and asset are recognised accordingly.

## 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.

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

### Credit risk

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

It is Group policy, implemented locally, to assess the credit risk of each new customer before entering 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 of receivables as shown in Note 16 and in the statement of financial position. The amount of the exposure shown in Note 16 is stated net of provisions for doubtful debts.

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

### Foreign currency risk

Foreign exchange transaction risk arises when individual Group operations enter into transactions denominated in a currency other than their functional currency. The general policy for the Group is to sell to customers in the same currency that goods are purchased in, reducing the transactional risk. Where transactions are not matched, excess foreign currency amounts generated from trading are converted back to sterling and required foreign currency amounts are converted from sterling. Forward currency contracts are not used speculatively and are considered where the Group has a demand for foreign currency that it can reliably forecast. The Group overdraft facility is available on an individual currency basis. The replacement RCF facility agreed post year end enables multi-currency debt funding to further mitigate potential currency risks.

### Liquidity risk

The Group operates a Group overdraft facility common to the majority of its UK trading companies and intends to bring newer acquisitions into this facility. This facility has a right of offset, so individual accounts in an overdraft position can be netted from cash held in other accounts in the same bank to a maximum position of £Nil in total.

The Group has, approximately, a three-month visibility in its trading and runs a rolling six-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, 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 fully eliminates the 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. The Group does not currently hedge interest rates on

most companies take it is possible for the Group to consider the Group does not currently hedge interest rates on financing but monitors the impact of rising interest rates and will put an instrument in place if considered an effective risk mitigation.

#### Credit risk

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

	2025 £'000	2024 £'000
<b>Loans and receivables</b>		
Trade and other receivables	18,570	28,151
Cash and cash equivalents	3,513	8,445
	<b>22,083</b>	<b>36,596</b>

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

	2025 £'000	2024 £'000
<b>Trade receivables exposure</b>		
UK	10,734	10,363
Non-UK	7,627	17,634
	<b>18,361</b>	<b>27,997</b>

The Group policy is to make a provision against those debts that are overdue, unless there are grounds for believing that all, or some, of the debts will be collected. During the year, the value of provisions made in respect of bad and doubtful debts was a charge of £428k (2024: £435k), which represented 0.3% (2024: 0.3%) of revenue. This provision is included within the sales, general and administration expenses in the consolidated statement of comprehensive income. Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, insolvency or a lack of contact with the customer.

#### Trade receivables ageing by geographical segment

Geographical area	Total £'000	Current £'000	30 days past due £'000	60 days past due £'000	90 days past due £'000
<b>2025</b>					
UK	10,847	10,542	189	84	32
Non-UK	8,106	7,175	615	4	312
<b>Total trade receivables</b>	<b>18,953</b>	<b>17,717</b>	<b>804</b>	<b>88</b>	<b>344</b>
UK	113	45	-	41	27
Non-UK	479	133	59	4	283
<b>Total provisions</b>	<b>592</b>	<b>178</b>	<b>59</b>	<b>45</b>	<b>310</b>
<b>Total</b>	<b>18,361</b>	<b>17,539</b>	<b>745</b>	<b>43</b>	<b>34</b>
<b>IFRS9</b>					
UK expected loss rate	1.04%	0.43%	0.00%	48.8%	84.4%
Non-UK expected loss rate	5.91%	1.85%	9.59%	100.0%	90.7%

Geographical area	Total £'000	Current £'000	30 days past due £'000	60 days past due £'000	90 days past due £'000
<b>2024</b>					
UK	11,447	10,772	642	8	25
Non-UK	17,633	15,710	1,387	204	332
<b>Total trade receivables</b>	<b>29,080</b>	<b>26,482</b>	<b>2,029</b>	<b>212</b>	<b>357</b>
UK	(213)	(110)	(82)	-	(21)
Non-UK	(870)	(616)	(52)	(1)	(201)
<b>Total provisions</b>	<b>(1,083)</b>	<b>(726)</b>	<b>(134)</b>	<b>(1)</b>	<b>(222)</b>
<b>Total</b>	<b>27,997</b>	<b>25,756</b>	<b>1,895</b>	<b>211</b>	<b>135</b>
<b>IFRS9</b>					
UK expected loss rate	1.86%	1.02%	12.77%	0.00%	84.0%
Non-UK expected loss rate	4.93%	3.92%	3.75%	0.49%	60.54%

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

	2025 £'000	2024 £'000
Opening balance	1,083	689
Acquisition of subsidiaries	47	-
(Decrease)/ Increase in provisions	(161)	407
Written off against provisions	(373)	(10)
Foreign exchange	(4)	(3)
<b>Closing balance</b>	<b>592</b>	<b>1,083</b>

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

As shown in the earlier table, at 31 March 2025, trade receivables of £822k, which were past their due date, were not impaired (2024: £2,241k).

#### Liquidity risk

	Carrying amount £'000	Contractual cash flow £'000	12 months or less £'000	1-2 Years £'000	2-5 Years £'000	5+ Years £'000
<b>2025</b>						
Trade and other payables	17,882	17,882	17,882	-	-	-
Provisions	10,560	11,142	0,101	1,274	660	-

Borrowings	10,009	11,143	9,101	1,314	000	-
Right-of-use lease liabilities	6,003	7,259	1,466	1,295	3,573	925
Deferred consideration on acquisitions	342	388	194	194	-	-
Provisions	1,288	1,288	190	40	658	400
	<b>36,084</b>	<b>37,960</b>	<b>28,833</b>	<b>2,903</b>	<b>4,899</b>	<b>1,325</b>

	Carrying amount £'000	Contractual cash flow £'000	12 months or less £'000	1-2 Years £'000	2-5 Years £'000	5+ Years £'000
<b>2024</b>						
Trade and other payables	20,737	20,737	20,737	-	-	-
Borrowings	13,116	14,508	4,227	3,029	7,252	-
Right-of-use lease liabilities	3,572	3,879	1,139	1,403	1,337	-
Provisions	969	969	126	565	278	-
	<b>38,394</b>	<b>40,093</b>	<b>26,229</b>	<b>4,997</b>	<b>8,867</b>	<b>-</b>

Movement in deferred consideration on acquisitions	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000
	Q-PAR Antennas		Active		Custom Power		Group	
1 April 2024	-	-	-	1,650	-	4,029	-	5,679
Initial recognition	723	-	-	-	-	-	723	-
Decrease in estimation	-	-	-	(21)	-	-	-	(21)
Settlement	(400)	-	-	(1,629)	-	(3,906)	(400)	(5,535)
Foreign Exchange	19	-	-	-	-	(123)	19	(123)
31 March 2025	342	-	-	-	-	-	342	-

The fair value hierarchy of financial instrument is considered as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

All the Group's financial instruments as disclosed are considered to fall under Level 1, except for the contingent consideration due on the 2025 acquisition of Q-PAR Antennas USA classed as a Level 3 instrument. The Fair Value at the balance sheet date has been assessed as £Nil based on the discounted future forecasts for the CGU.

In 2024, the deferred contingent consideration due on the Active acquisition was classified as a Level 3 instrument and was fully settled in the comparative period. In addition, the contingent consideration in relation to Custom Power was recognised at £Nil value based on discounted future forecasts and the required threshold was not reached in the comparative period, so no potential liability remains.

#### Foreign currency risk

The Group's main foreign currency risk is the short-term risk associated with accounts receivable and payable denominated in currencies that are not the subsidiaries' functional currency. The risk arises on the difference in the exchange rate between the time invoices are raised/received and the time invoices are settled/paid. For sales denominated in foreign currencies the Group will try, as far as practical, 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 except for the following items, which are included in the financial statements at the sterling value based on the exchange rate ruling at the statement of financial position date.

The following tables show the Group net assets/(liabilities) exposed to US dollar and euro exchange rate risk:

<b>USD</b>	2025 £'000	2024 £'000
Trade receivables	9,257	19,831
Cash and cash equivalents	1,870	(268)
Trade payables	(6,974)	(6,011)
	<b>4,153</b>	<b>13,552</b>

<b>EUR</b>	2025 £'000	2024 £'000
Trade receivables	295	563
Cash and cash equivalents	393	541
Trade payables	(236)	(261)
	<b>452</b>	<b>843</b>

The Group is exposed to currency risk because it undertakes trading transactions in US dollars and euros (and immaterial transactions in other currencies). The Directors do not, generally, consider it necessary to enter into derivative financial instruments to manage the exchange risk arising from its operations, but, from time to time, when the Directors consider foreign currencies are weak and it is known that there will be a requirement to purchase those currencies, forward arrangements are entered into. There were no forward purchase agreements in place at 31 March 2025 (2024: £Nil) with £Nil net exposure (2024: £Nil).

The effect of a strengthening of 10% in the rate of exchange in the currencies against sterling at the statement of financial position date would have resulted in an estimated net increase in pre-tax profit for the year and an increase in net assets of approximately £419k (2024: £1,309k). In addition, the effect of a weakening of 10% in the rate of

in net assets of, approximately, £100k (2024: £1,599k). In addition, the effect of a weakening of 10% in the rate of exchange in the currencies against sterling at the statement of financial position date would have resulted in an estimated net decrease in pre-tax profit for the year and a decrease in net assets of, approximately, £512k (2024: £1,599k).

#### Interest rate risk

The Group financed its ongoing business in 2024 through a revolving credit facility and two term loans as described in Note 19. During the year, the Group utilised the RCF facility at a floating rate of interest. The Group's banking facilities with Lloyds Bank PLC incur interest at the rate of 2.55% over Bank of England base rate. The Group is affected by changes in the UK interest rate. As the loans are all based on variable interest rates, the fair value of the Group's borrowings is not materially different to the book value.

In terms of sensitivity, if the ruling base rate had been 1% higher throughout the year, the level of net interest payable would have been circa £160k (2024: £172k) higher, and if 1% lower throughout the year, the level of interest payable would have been lower by the same amount.

The RCF facility agreed post year end is tied to various base rates (including SONIA, EURIBOR and SOFR) depending on the currency drawn, with a ratcheting margin between 2.3% and 2.6% dependent upon leverage, so the charge will remain sensitive to variable rates.

#### Capital risk management

The Group defines total capital as equity in the consolidated statement of financial position plus net debt or less net funds plus deferred consideration. Total capital at 31 March 2025 was £68,894k (2024: £69,291k).

The Group defines net (cash)/leverage as net (cash)/debt plus deferred consideration, which totals £7,398k (2024: £4,671k). In calculating net (cash)/debt, the Group has excluded the right-of-use lease liabilities of £6,003k (2024: £3,572k) from its definition and calculation.

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

Consistent with others in the industry, the Group monitors capital based on the gearing ratio. This ratio is calculated as leverage divided by total capital. At 31 March 2025, the gearing ratio was 10.7% (2024: 6.7%).

The Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and to maintain sufficient funding to enable the Group to meet its working capital and strategic investment needs in the light of changes in economic conditions and the characteristic of the underlying assets.

In making decisions to adjust its capital structure to achieve these aims, the Group considers not only its short-term position, but also its long-term operational and strategic objectives and sets the amount of capital in proportion to risk.

The Group's gearing ratio at 31 March 2025 is shown below:

	2025 £'000	2024 £'000
Cash and cash equivalents	(3,513)	(8,445)
Borrowings/bank overdrafts	10,569	13,116
Deferred consideration	342	-
<b>Net debt</b>	<b>7,398</b>	<b>4,671</b>
Share capital	2,854	569
Share premium account	28,300	30,581
Retained earnings	33,147	35,086
Other Reserves	(64)	(64)
Foreign exchange reserve	(2,203)	(1,515)
Shares held in treasury	(538)	(37)
<b>Equity</b>	<b>61,496</b>	<b>64,620</b>
<b>Gearing ratio (net leverage/(equity + net leverage)/cash))</b>	<b>10.7%</b>	<b>6.7%</b>

#### 22. Net debt

Year ended 31 March 2025 (£'000)	At 1 April 2024	Cash flow	Other non-cash movement	At 31 March 2025
Bank borrowing due within one year	(3,398)	2,514	(7,750)	(8,634)
Bank borrowing due after one year	(9,718)	-	7,783	(1,935)
<b>Total borrowings</b>	<b>(13,116)</b>	<b>2,514</b>	<b>33</b>	<b>(10,569)</b>
Deferred consideration on acquisition of subsidiaries within one year	-	400	(581)	(181)
Deferred consideration on acquisition of subsidiaries after one year	-	-	(161)	(161)
Cash and cash equivalents	8,445	(4,908)	(24)	3,513
<b>Net debt</b>	<b>(4,671)</b>	<b>(1,994)</b>	<b>(733)</b>	<b>(7,398)</b>

	2025 £'000	2024 £'000
Decrease in cash in the year	(4,908)	(3,751)
Increase in borrowings in the year	(894)	(2,126)
Repayment of borrowings in the year	3,408	3,741
Payment of deferred consideration on acquisitions	400	5,535
<b>Net movement resulting from cash flows</b>	<b>(1,994)</b>	<b>3,399</b>

	2025 £'000	2024 £'000
Net debt at 1 April 2024	(4,671)	(8,117)
Net movement resulting from cash flows	(1,994)	3,400
Deferred consideration (recognised)/ released	(716)	21
Other non-cash movements	(17)	25
<b>Net debt at 31 March 2025</b>	<b>(7,398)</b>	<b>(4,671)</b>

Although the Group's banking facilities allow a right of offset between cash balances held at the bank with overdraft balances at the same bank, the overdraft balance at 31 March 2024 is presented as gross on the statement of financial position rather than net in accordance with the Interpretations Committee March 2016 Agenda decision on IAS 32 interpretation of cash-pooling arrangements. No overdraft was utilised as at 31 March 2025.

Lease liabilities are excluded from the Group's definition of net debt and a separate roll-forward of lease liabilities is presented in Note 20.

### 23. Deferred tax

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

	2025 £'000	2024 £'000
At 1 April	(1,374)	(1,812)
Deferred tax arising on acquisition of subsidiaries	(15)	-
Credit/ (expense) for the year	737	190
Effect of changes to foreign exchange rates	43	4
Credit to Other Comprehensive Income	43	-
Deferred tax adjustment in respect of prior periods	476	244
<b>Net deferred tax liability at 31 March</b>	<b>(90)</b>	<b>(1,374)</b>
Deferred tax (liabilities)/assets in relation to:		
Accelerated capital allowances on property, plant and equipment	(618)	(590)
Short-term timing differences on intangible assets	(791)	(1,596)
Share-based payments	540	604
Short-term timing differences	498	151
Losses carried forward	281	57
<b>Net deferred tax at 31 March</b>	<b>(90)</b>	<b>(1,374)</b>
Deferred tax assets	1,458	605
Deferred tax liabilities	(1,548)	(1,979)
<b>Net deferred tax at 31 March</b>	<b>(90)</b>	<b>(1,374)</b>

The movements in respect of deferred tax in the year were as follows:

	Accelerated capital allowances £'000	Short-term timing differences on intangible assets £'000	Share-based payments £'000	Short-term timing differences £'000	Losses carried forward £'000	Total £'000
At 1 April	(590)	(1,596)	604	151	57	(1,374)
Recognised on acquisitions	-	15	-	-	-	15
Recognised in income statement	(32)	777	(107)	349	225	1,212
Recognised in other comprehensive income	-	-	43	-	-	43
Effect of changes to foreign exchange rates	4	13	-	(2)	(1)	14
<b>At 31 March</b>	<b>(618)</b>	<b>(791)</b>	<b>540</b>	<b>498</b>	<b>281</b>	<b>(90)</b>

The UK corporation tax rate is 25% (2024: 25%) effective from 1 April 2023, which was substantively enacted on 24 May 2021.

The amount of the net reversal of deferred tax expected to occur next year is, approximately, £0.8m (2024: £0.6m) relating to the timing differences identified above.

A deferred tax asset of £209k (2024: £166k), in respect of the future tax deduction that would be available based on the share price at the balance sheet date compared to the share price at the date of grant of the options and share bonus, which is used to calculate the share-based payments charge, was recalculated in the year after initial recognition in 2022. There was a calculated increase in the deferred tax asset of £43k (2024: £Nil), which has been debited to other comprehensive income ("OCI") and treated as an adjustment to profit. The share price post year end, when the shares are exercised, may be higher/lower than at the balance sheet date; therefore, this deferred tax asset is considered judgemental.

In addition, there is an unrecognised deferred tax asset in relation to capital losses carried forward. The capital losses carried forward are, approximately, £275k (2024: £275k). The associated deferred tax asset of, approximately, £69k (2024: £69k) has not been recognised due to the uncertainty over the recoverability. Trading losses of c. £2.7m with an associated deferred tax asset of c. £0.8m have not been recognised.

### 24. Provisions

	2025 £'000	2024 £'000
At 1 April	969	1,038
Dilapidations acquired on acquisitions at fair value	87	-
Recognition of dilapidation provisions	310	178
Provisions utilised during the year	(3)	(248)
Foreign Exchange	-	1
Released to statement of comprehensive income	(75)	-
<b>Provisions at 31 March</b>	<b>1,288</b>	<b>969</b>

The Group has provided for property-related provisions, which include obligations in respect of exited legacy premises and dilapidations provisions it expects to exit at the end of the lease. Provisions are split into current £190k (2024: £126k) and non-current £1,098k (2024: £843k).

### 25. Share capital

2025 2024

	£'000	£'000
Allotted issued and fully paid 57,081,720 (2024: 11,376,644) ordinary shares of 5p	2,854	569

The ordinary shares carry no right to fixed income, the holders are entitled to receive dividends as declared and are entitled to one vote per share at shareholder meetings.

	2025		2024	
	Shares No.	Value £'000	Shares No.	Value £'000
Share capital at 1 April	11,376,644	569	11,346,394	567
Bonus share issue	45,506,576	2,275	-	-
Issue of new shares	-	-	12,000	1
Share options exercised	198,500	10	18,250	1
<b>Share capital at 31 March</b>	<b>57,081,720</b>	<b>2,854</b>	<b>11,376,644</b>	<b>569</b>

. At 31 March 2025, the number of shares covered by option agreements amounted to 2,390,750 (2024: 2,091,750 restated for bonus issue; 418,350 as disclosed). At the balance sheet date, there were 813,250 (2024: 640,250 restated for bonus issue; 2024: 128,050 as disclosed) share options which had vested and remained unexercised. 198,500 options were exercised in the current year (2024: 91,250 restated for bonus issue; 2024: 18,250 as disclosed).

## 26. Reserves

Full details of movements in reserves are set out in the consolidated statement of changes in equity. The total value of transaction costs incurred that have been offset against the share premium account movement in the year total £Nil (2024: £Nil).

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
Other reserves	Capital redemption amount transferred from share capital on redemption of issued shares. Settlement value with non-controlling interests in excess of net asset carrying value
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income
Shares held in treasury	Shares held by the Group for future staff share plan awards
Foreign exchange	Foreign exchange translation differences arising from the translation of the financial statements of foreign operations
Non-controlling interest	Equity attributable to non-controlling shareholders

## 27. Treasury shares

At 31 March 2025, the Group held 419,121 (2024: 105,730 restated for bonus issue; 2024: 21,146 as disclosed) shares in treasury with a cost of £539k (2024: £37k). No shares have been cancelled.

	2025 No	2024 No
At 1 April	21,146	9,146
Purchase of shares into treasury	383,141	-
Issue of shares into treasury	-	12,000
Bonus shares issued into treasury	28,784	-
Transfer of shares to the All Employee Share Plan (AESP)	(13,950)	-
<b>At 31 March</b>	<b>419,121</b>	<b>21,146</b>

## 28. Share-based payments

The amount credited to the income statement in respect of share-based payments was £0.4m (2024: £0.8m charge).

The Company operates three long-term share incentive schemes set out below:

### Long-term incentive plan ("LTIP"):

Normal LTIP awards of up to 125% of salary may be made to Executive Directors and Senior management, as outlined in the Policy Table of the Remuneration Report.

For all participants, awards will vest after three years in accordance with the performance conditions applicable to each grant. Options are granted with a contractual life of ten years and with a fixed exercise price of 5p equal to the par value of the shares or as otherwise disclosed in the Remuneration Report.

The performance conditions will be determined and set by the Remuneration Committee in accordance with the remuneration policy. No award will vest below threshold performance, and vesting will increase on a straight-line basis between threshold, target and stretch.

On 8 November 2024 284,000 (2024: 282,000 post bonus issue; 2024: 56,400 as disclosed) share options were granted to the Executive Directors under the LTIP. The assessed fair value at the grant date was 2.05p per option (2024: 2.24p post bonus issue; 2024: £11.21 as disclosed). The fair value was determined using a Black-Scholes model and the principal assumptions are set out below. 214,000 LTIP options vested in the year and 53,500 were exercised with an exercise price of 5p and a weighted average share price of 220p.

Principal assumptions	2025	2024
Weighted average share price at grant date in pence (post bonus)	213	237*
Weighted average exercise price in pence	5	5
Weighted average vesting period (years)	3	3
Option life (years)	10	10
Weighted average expected life (years)	3	3
Weighted average expected volatility factor	37%	37%
Weighted average risk-free rate	4.66%	4.31%
Dividend yield	1.20%	1.86%

\* 1,185 as disclosed pre bonus issue

The expected volatility factor is based on historical share price volatility over the three years immediately preceding the grant of the option. The expected life is the average expected period to exercise. The risk-free rate of return is the yield of zero-coupon UK government bonds of a term consistent with the assumed option life.

Non-market performance conditions are incorporated into the calculation of fair value by estimating the proportion of share options that will vest and be exercised based on a combination of historical trends and future expected trading performance. These are reassessed at the end of each period for each tranche of unvested options.

#### Company Share Option Plan ("CSOP"):

Following the changes to the tax legislation, CSOP awards of up to the HMRC tax-approved levels of £60,000 (2024: £30,000) may be made to senior staff and Executive Directors, as outlined in the Policy Table of the Remuneration Report. For all participants, awards will vest after three years in accordance with the performance conditions applicable to each grant.

Options are granted with a contractual life of ten years and with a fixed exercise price equal to the market value of the shares under option at the date of grant or as otherwise disclosed in the Remuneration Report.

The performance conditions will be determined and set by the Remuneration Committee in accordance with the remuneration policy. No award will vest below threshold performance, and vesting will increase on a straight-line basis between threshold, target and stretch.

On 7 November 2024, 286,000 (2024: 254,375 post bonus issue; 2024: 50,875 as disclosed) share options were granted to the senior management under CSOP. The assessed fair value at grant date of options granted during the year was 0.59p per option (2024: 0.63p post bonus issue; 2024: 3.15p as disclosed). The fair value was determined using a Black-Scholes model and the principal assumptions are set out in the table below. 157,500 CSOP options vested in the year and none were exercised.

Principal assumptions	2025	2024
Weighted average share price at grant date in pence	208	237*
Weighted average exercise price in pence	208	210**
Weighted average vesting period (years)	3	3
Option life (years)	10	10
Weighted average expected life (years)	3	3
Weighted average expected volatility factor	37%	37%
Weighted average risk-free rate	4.66%	4.31%
Dividend yield	1.2%	1.86%

\* 1,185 as disclosed pre bonus issue

\*\* 1,052 as disclosed pre bonus issue

#### Movement in share options during the year

There are also bought forward executive EMI options, which have vested. 145,000 (29,000 pre bonus issue) (2024: Nil) were exercised in the year with an exercise price of 0.0002p and a weighted average share price of £2.43, leaving 215,000 (43,000 pre bonus issue), which remain unexercised at 31 March 2025.

	2025 Number of options	2025 Average exercise price in pence	2024 Number of options (restated)	2024 Average exercise price in pence (restated)	2024 Number of options	2024 Average exercise price in pence
At 1 April	418,350	759	328,925	320	328,925	320
1 April restated for bonus issue	2,091,750	80	1,644,625	66	-	-
Granted	570,000	103	538,375	115	107,675	988
Exercised	(198,500)	(1)	(91,250)	(118)	(18,250)	(592)
Cancelled/lapsed	(72,500)	-	-	-	-	-
<b>At 31 March</b>	<b>2,390,750</b>	<b>85</b>	<b>2,091,750</b>	<b>76</b>	<b>418,350</b>	<b>759</b>

The weighted average exercise prices of options exercisable at the end of the period is 85p (2024 post bonus issue: 76p; 2024 as disclosed: 63p)). The weighted average remaining contractual life of share options outstanding at the end of the period is 7 years (2024: 7.5 years). A £0.4m credit was posted to the income statement in respect of share options (2024: £0.8m debit) due to the decrease in the market share price and the consequent change in performance condition assumptions for the non-vested option schemes. As at 31 March 2025, the total number of long-term incentive awards and share options held by employees was 2,390,750 (2024: 2,091,750 post bonus issue; 2024: 418,350 as disclosed) as follows:

Option price pence/share	Option period ending	2025 Number of options	2024 Number of options (restated)	2024 Number of options
0.1p	31 March 2027	215,000	360,000	72,000
5p - 118p (pre bonus issue: 5p - 592p)	31 March 2030	226,750	280,250	56,050
5p - 210p (pre bonus issue: 5p - 1050p)	31 March 2031	371,500	389,000	77,800
5p - 251p (pre bonus issue: 5p - 1254p)	31 March 2032	508,625	526,125	105,225
5p - 237p (pre bonus issue: 5p - 1185p)	31 March 2033	518,875	536,375	107,275
5p - 208p	31 March 2034	545,000	-	-
<b>At 31 March</b>		<b>2,385,750</b>	<b>2,091,750</b>	<b>418,350</b>

#### All Employee Share plan ("AESP"):

The AESP awards up to the HMRC tax approved levels to all UK employees. These awards vest tax free from the AESP after at least three years but not more than five years from the date of grant subject to continued employment.

No share options were awarded in the year to the employees under the AESP (2024: 69,750 restated for bonus issue; 13,950 as disclosed) with the award taking place subsequent to the year end. The share price at the date of award was Nil (2024: 265p restated for bonus issue; 1,325p as disclosed). As the awards are effectively £Nil cost awards, the fair value is determined to equal to the share price at the date of grant under the Black-Scholes model. This resulted in a share-based payments charge of £Nil (2024: £185k) as part of the total share-based payments charge.



## 29. Capital commitments

At 31 March 2025, there were capital commitments of £162k (2024: £23k).

## 30. Adjustments to profit

The Group's results are reported after several imputed non-cash charges and non-recurring items. We have provided additional adjusted performance metrics to aid understanding and provide clarity over the Group's performance on an ongoing cash basis before imputed non-cash accounting charges. This is consistent with how analysts and investors tell us they review our business performance in presenting an adjusted profit metric adjusting for the following items:

- Non-cash charges arising from share-based payments and the amortisation and of acquisition intangibles and impairment of goodwill
- Non-recurring costs in relation to employee redundancy and termination costs
- Non-recurring costs relating to acquisition costs (including fair value adjustments and earn-out estimation changes)
- Tax effect of the adjusted items
- The movement via OCI of the deferred tax asset relating to the future tax deduction that would be available based on the share price at the balance sheet date compared to the share price at the date of grant of options and share bonus

	2025 £'000	2024 £'000
Gross profit	39,327	51,827
Adjustments to gross profit	-	-
<b>Adjusted gross profit</b>	<b>39,327</b>	<b>51,827</b>
Operating profit	1,334	13,678
Adjustments to operating profit	4,700	3,358
<b>Adjusted operating profit</b>	<b>6,034</b>	<b>17,036</b>
Operating margin percentage	1.1%	8.4%
Operating margin percentage impact of adjustments	3.8%	2.1%
<b>Adjusted operating margin percentage</b>	<b>4.8%</b>	<b>10.4%</b>
Profit before tax	320	12,187
Adjustments to profit before tax	4,718	3,392
<b>Adjusted profit before tax</b>	<b>5,038</b>	<b>15,579</b>
Profit after tax	512	8,906
Adjustments to profit after tax	3,051	2,774
<b>Adjusted profit after tax</b>	<b>3,563</b>	<b>11,680</b>
Reported total other comprehensive (loss)/ income	(133)	8,227
Adjustments to total other comprehensive income	3,008	2,774
<b>Adjusted total other comprehensive income</b>	<b>2,875</b>	<b>11,001</b>

2025	Components £'000	Systems £'000	Head office £'000	Total £'000
Acquisition fair value adjustments, reorganisation and deal costs	117	314	-	431
Impairment of Goodwill	-	-	2,734	2,734
Amortisation of acquisition intangibles	-	-	1,909	1,909
Share-based payments	-	-	(374)	(374)
Imputed interest on deferred consideration unwind	-	18	-	18
<b>Adjustment to profit before tax</b>	<b>117</b>	<b>332</b>	<b>4,269</b>	<b>4,718</b>
Current and deferred taxation effect	(29)	(79)	(1,195)	(1,303)
Non-recurring deferred tax credits in USA	(364)	-	-	(364)
<b>Adjustments to profit after tax</b>	<b>(276)</b>	<b>253</b>	<b>3,074</b>	<b>3,051</b>
Movement of deferred tax asset re share price impact on options	-	-	(43)	(43)
<b>Adjustments to total other comprehensive income</b>	<b>(276)</b>	<b>253</b>	<b>3,031</b>	<b>3,008</b>

All amortisation charges relating to acquisition intangibles have been consistently classified into head office overheads to provide an accurate representation of underlying divisional trading as presented to the Directors.

Reorganisation costs in 2025 relate to Group headcount rationalisation and termination costs. Non-recurring tax credits arise from a change in recognition for US entities following final 2024 tax return filing.

In evaluating our adjusted performance metric in respect of Earnings Per Share ("EPS"), the Board considers "Adjusted Fully Diluted EPS" to be the most appropriate metric as our investors and the analysts who cover Solid State PLC use this metric to monitor performance. However, we also recognise the equal importance of the statutory metric of 'EPS' as the other relevant metric (which includes the IFRS2 charge for the value gained from employees but excludes the dilution so not to double count with the charge).

While we disclose "Fully Diluted EPS" and "Adjusted EPS" for completeness in Note 8, these are not considered to be as appropriate metrics by the Board as "'Reported' Fully Diluted EPS" reflects a double hit to the results of the IFRS2 charge and the dilution and "Adjusted EPS" does not reflect either the IFRS2 charge or the dilution, which clearly makes these metrics much less appropriate when assessing performance.

2024	Components £'000	Systems £'000	Head office £'000	Total £'000
Acquisition fair value adjustments within cost of sales	-	-	-	-
Acquisition fair value adjustments, reorganisation and deal costs	736	-	-	736
Amortisation of acquisition intangibles	-	-	1,819	1,819
Share-based payments	-	-	803	803
Imputed interest on deferred consideration unwind	-	34	-	34
<b>Adjustment to profit before tax</b>	<b>736</b>	<b>34</b>	<b>2,622</b>	<b>3,392</b>
Current and deferred taxation effect	73	-	(691)	(618)
<b>Adjustments to profit after tax</b>	<b>809</b>	<b>34</b>	<b>1,931</b>	<b>2,774</b>
Movement of deferred tax asset re share price impact on options	-	-	-	-
<b>Adjustments to total other comprehensive income</b>	<b>809</b>	<b>34</b>	<b>1,931</b>	<b>2,774</b>

Reorganisation costs in 2024 relate to the USA Components business restructure. Acquisition fair value adjustments within cost of sales in 2024 relate to the unwind of the IFRS3 fair value uplift on stock to selling price less cost to sell.

### 31. Segment information

The Group's primary reporting format for segmental information is aligned with the Divisional management structure of the Group. We provide financial information to enable Divisional management operational control and consolidated data for Board decision making. The Components Division comprises Solid State Supplies Limited, Pacer LLC, Pacer Components Limited, Willow Technologies Limited, American Electronic Components, Inc and Gateway Electronic Components Limited. The Systems Division includes Steatite Limited, Custom Power LLC, Active Silicon Limited, Active Silicon Inc., eTech Developments Limited and Q-Par Antennas USA LLC.

	Components division £'000	Systems division £'000	Head office £'000	Total Group £'000
<b>Year ended 31 March 2025</b>				
External revenue	55,299	69,765	-	125,064
Operating profit/(loss)	2,124	5,460	(6,250)	1,334
Adjusted operating profit/ (loss)	2,241	5,774	(1,981)	6,034
Profit/(loss) before taxation	2,134	5,414	(7,228)	320
Taxation	220	(148)	120	192
Profit/ (loss) after taxation	2,354	5,266	(7,108)	512
<b>Consolidated statement of financial position</b>				
Assets	26,385	41,951	36,006	104,342
Liabilities	(9,462)	(22,695)	(10,689)	(42,846)
Net assets	16,923	19,256	25,317	61,496
<b>Other</b>				
Capital expenditure:				
Intangible assets	56	1,146	-	1,202
Intangible assets - acquisitions	-	1	1,785	1,786
Tangible fixed assets	276	2,257	5	2,538
Tangible fixed assets - acquisitions	-	316	-	316
Right-of-use assets	529	2,957	-	3,486
Right-of-use assets - acquisitions	205	-	-	205
Depreciation and Impairment - PPE	434	972	1	1,407
Depreciation - right-of-use assets	153	961	-	1,114
Amortisation	138	711	1,909	2,758
Impairment of Intangibles	-	-	2,734	2,734
Share-based payments	-	-	(375)	(375)
Interest	(10)	46	978	1,014

No individual customer contributed more than 10% of the Group's revenue in the financial year ended 31 March 2025 (2024: One customer at £33.4m, 20%).

	Components division £'000	Systems division £'000	Head office £'000	Total Group £'000
<b>Year ended 31 March 2024</b>				
External revenue	59,834	103,469	-	163,303
Operating (loss)/ profit	(682)	19,337	(4,977)	13,678
Adjusted operating profit	54	19,337	(2,355)	17,036
(Loss)/ profit before tax	(748)	19,190	(6,255)	12,187
Taxation	(553)	(4,074)	1,346	(3,281)
Profit after taxation	(1,301)	15,116	(4,909)	8,906
<b>Consolidated statement of financial position</b>				
Assets	27,559	46,643	39,382	113,584
Liabilities	(10,853)	(26,404)	(11,707)	(48,964)
Net assets	16,706	20,239	27,675	64,620
<b>Other</b>				
Capital expenditure:				
Intangible assets	143	1,169	-	1,312
Tangible fixed assets	275	1,423	4	1,702
Right-of-use assets	156	2,498	-	2,654
Depreciation and Impairment - PPE	1,033	995	1	2,029
Depreciation - right-of-use assets	182	858	-	1,040
Amortisation	131	331	1,819	2,281
Share-based payments	-	-	803	803
Interest	67	146	1,278	1,491

	External revenue by location of customer		Total assets by location of assets		Net capital expenditure by location of assets	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000
United Kingdom	75,071	69,921	90,642	101,179	3,322	2,779
Rest of Europe	14,719	55,360	-	-	-	-
Asia	3,538	8,759	-	-	-	-
North America	28,693	28,667	13,700	10,503	418	235
Other	3,043	596	-	-	-	-
	125,064	163,303	104,342	111,682	3,740	3,014

### 32. Related parties

There were no transactions with related parties during the period as Mr. D. Haining is no longer considered to be a

There were no transactions with related parties during the period as Mr. P Haining is no longer considered to be a related party for 2025. In 2024 fees totalling £48k in respect of accountancy services and out of pocket expenses were provided by The Kings Mill Practice, a firm of which Mr P Haining is the proprietor. A balance of £5k was due to The Kings Mill Practice at 31 March 2024.

### 33. Acquisition accounting for Gateway Electronic Components

	Book value £'000	Fair value Adjustment £'000	Fair value to Group £'000
Intangible assets	1	506	507
Property, plant and equipment	316	-	316
Right of use assets	-	205*	205
Inventory	739	(191)	548
Trade and other receivables	463	(10)	453
Trade and other payables	(572)	(14)	(586)
Right-of-use lease liabilities	-	(205)*	(205)
Provision for dilapidations	(40)	(47)	(87)
Deferred Taxation	(82)	(89)	(171)
Cash and cash equivalents	800	-	800
<b>Net assets on acquisition</b>	<b>1,625</b>	<b>155</b>	<b>1,780</b>
Goodwill on acquisition			401
<b>Discounted consideration</b>			<b>2,181</b>
Discharged by:			
Cash paid on acquisition			2,181
<b>Total consideration</b>			<b>2,181</b>

\* GAAP alignment rather than fair value adjustment, split out for information.

Solid State PLC acquired 100% of the Share Capital of Gateway Electronic Components Limited ("Gateway") on the 2 October 2024. Gateway is based in Nantwich (UK) and is a specialist in ferrite and magnetic components. The entire share capital of the company was purchased for a consideration of £2.2m, which, when adjusted for cash on the balance sheet, results in an effective net consideration of £1.4m, fully settled in the current financial year.

The fair value of intangible assets recognised is in relation to the brand "Gateway" and the existing customer relationships and will be amortised over a period of 7 years. The goodwill recognised represents the expected synergies and opportunities of cross selling to customers between Gateway and the existing Components division. The goodwill carrying value recognised on acquisition is not amortised but is assessed for impairment at the end of each reporting period.

The revenue and loss after tax for the post-acquisition period included in the Statement of Comprehensive Income arising from Gateway's operations were £1.4m and £0.1m, respectively. If the Group had acquired Gateway at the start of the current financial year, the consolidated Group revenue would have increased by £1.5m and the profit after tax by £0.1m.

The Group incurred acquisition related costs of £57k on legal fees and due diligence costs, included in sales, general and administration expenses.

### 34. Acquisition accounting for Q-PAR Antennas USA

	Book value '000	Fair value Adjustment '000	Fair value to Group '000	Fair value to Group* £'000
Intangible assets	-	884	884	691
Deferred tax asset	-	238	238	186
Inventory	-	62	62	48
Trade and other receivables	74	(5)	69	54
Trade and other payables	(129)	(2)	(131)	(102)
Cash and cash equivalents	116	-	116	90
<b>Net assets on acquisition</b>	<b>61</b>	<b>1,177</b>	<b>1,238</b>	<b>967</b>
Goodwill on acquisition			240	187
<b>Discounted consideration</b>			<b>1,478</b>	<b>1,154</b>
Discharged by:				
Cash paid on acquisition			561	438
Short-term deferred consideration			750	586
Long-term deferred consideration			250	195
<b>Gross consideration</b>			<b>1,561</b>	<b>1,219</b>
Discounting			(83)	(65)
<b>Discounted consideration</b>			<b>1,478</b>	<b>1,154</b>

\* Exchange rate at date of acquisition was 1.28

Solid State PLC (via Solid State US, Inc.) acquired 100% of the Membership Interest Purchase of Q-Par Antennas USA LLC ("Q-Par") on 1 November 2024. Q-Par is a US distributor in the provision of antenna systems and related technologies, primarily for defence and security applications.

The entire membership interest, and therefore control, of the LLC was purchased for a maximum consideration of 2.1m, including 1m of deferred consideration (payable over three tranches in January 2025, November 2025 and November 2026) and a 0.5m contingent earn-out payable on achievement of certain performance targets.

The fair value of intangible assets recognised primarily relates to the value of the existing customer relationships, with a smaller value attributed to the brand 'Q-Par'. The goodwill recognised represents the strong relationships with customers and opportunities to expand our USA presence in the Antenna market. The goodwill carrying value on consolidation is not amortised but is assessed for impairment at the end of each reporting period. If no impairment is recognised, the initial asset recognised for deferred taxation will unwind until it becomes a deferred tax liability when

the local US amortisation deduction is fully recognised.

The revenue and profit after tax for the post-acquisition period included in the Statement of Comprehensive Income arising from Q-Par's operations were 1.1m (£0.9m) and 47k (£37k), respectively. The Group incurred acquisition related costs of 31k on legal fees and due diligence costs, included in sales, general and administration expenses.

The 0.5m of contingent consideration is split into four separate target hurdles of 125k and each becomes payable for certain hurdles between an initial 3m last 12-month bookings target stepped up to 4.5m within the 24-month period post acquisition. Based on the information available to management at the year-end date, this stretch hurdle is, currently, not considered to be achievable, and the contingent consideration of 0.5m has been removed from the goodwill calculations. The deferred consideration amounts were discounted at an appropriate cost of debt and the impact was to reduce the fair value of the consideration by 83k. The discounting will be charged as a non-cash interest charge over the period of the deferment with £18k charged to date.

The total cash settled to date is the initial consideration of 0.6m plus the first 0.5m of deferred consideration totalling 1.1m (£0.8m). There are two further deferred consideration tranches, each for 250k, to be settled in November 2025 and November 2026.

### **35. Post balance sheet events**

On the 18th of May 2025 the Group refinanced the existing facilities as disclosed in Note 19 with a new multicurrency RCF funded by Lloyds Bank PLC and Comerica Bank. The facility is for £15.0m and is committed for three years, with two optional twelve-month extension options, and can be drawn in other optional currencies as well as GBP. An additional accordion commitment of £10m can also be requested during the availability period. The multi-currency overdraft facility of £5m remains in place as part of this agreement.

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