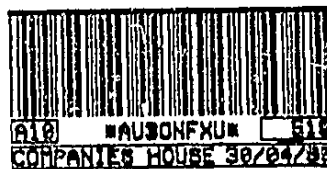


**PARAGON ELECTRONIC
COMPONENTS PLC
FINANCIAL STATEMENTS
30TH SEPTEMBER 1998**

Company Registration Number 2590508

MACINTYRE HUDSON
Chartered Accountants & Registered Auditors
Equipoise House
Grove Place
Bedford
MK40 3LE



PARAGON ELECTRONIC COMPONENTS PLC

FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 1998

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PARAGON ELECTRONIC COMPONENTS PLC
OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors

C.M. Johnson
J.G. Mayes
G.C. Smith
P. Keane

Company Secretary

J.G. Mayes

Registered Office

Equipoise House
Grove Place
Bedford
MK40 3LE

Auditors

MacIntyre Hudson
Chartered Accountants
& Registered Auditors
Equipoise House
Grove Place
Bedford
MK40 3LE

Bankers

Barclays Bank Plc
111 High Street
Bedford
MK40 1NJ

PARAGON ELECTRONIC COMPONENTS PLC

THE DIRECTORS' REPORT

YEAR ENDED 30TH SEPTEMBER 1998

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30th September 1998.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company continued to be the distribution of electronic components, and allied added value services to original equipment manufacturers.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	1998 £	1997 £
Dividends paid on ordinary shares	<u>150,000</u>	<u>140,000</u>

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 30 September 1998	At 1 October 1997
C.M. Johnson	2,501	25,001
J.G. Mayes	2,501	25,001
G.C. Smith	<u>-</u>	<u>-</u>

P. Keane was appointed as a director of the company on 1st January 1999.

G.C. Smith had an option to purchase 1,000 Ordinary Shares in the company at a price of £20 per share, which he duly exercised on 28th October 1998.

On 30th April 1998, the company became a subsidiary undertaking of Paragon Electronics Limited, a company incorporated in England. The interests of the directors in the share capital of that company, are shown in that company's financial statements.

SUPPLIER PAYMENT POLICY

It is the company's payment policy for the year ended 30th September 1999 to negotiate payment terms with its suppliers in all sectors and to ensure they know the terms on which payment will take place when the business is agreed. It is our policy to abide by these terms. The average creditor days for the year ended 30th September 1998 were 82 days.

PARAGON ELECTRONIC COMPONENTS PLC

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30TH SEPTEMBER 1998

YEAR 2000

As is well known, many computers and microprocessors in equipment recognise dates using only the last two digits of the year and will therefore have to be modified or replaced to record the Year 2000. The operation of our business depends on a computerised accounting system to prepare the accounts and record the transactions and produce information used in decision making. Also, to some extent, we could be affected by problems suffered by our suppliers and customers if other parties do not adequately deal with the Year 2000 issue.

The directors have assessed the risks to the business resulting from the change to the Year 2000 and have carried out the following steps:

- The computer software has recently been updated, and we have confirmed with the hardware and software providers that the computer hardware and software is Year 2000 compliant.
- We have initiated a programme of risk analysis which considers the possibility of Year 2000 related failures in our significant suppliers and customers. We have identified significant parties and are contacting them in order of priority to assess the situation. Many of them have informed us that they are already dealing with the problem.

Given the complexity of the problem, no organisation can guarantee that no Year 2000 problems will remain. However, the directors believe that the company will be in an acceptable state of readiness and that they will be able to deal promptly with any significant failures that might occur.

DONATIONS

During the year the company made the following contributions:

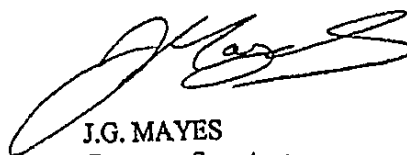
	1998	1997
	£	£
Charitable	<u>605</u>	<u>960</u>

AUDITORS

A resolution to re-appoint MacIntyre Hudson as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
Equipoise House
Grove Place
Bedford
MK40 3LE

Signed by order of the directors


J.G. MAYES
Company Secretary

Approved by the directors on 16th April 1999

PARAGON ELECTRONIC COMPONENTS PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED 30TH SEPTEMBER 1998

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PARAGON ELECTRONIC COMPONENTS PLC

AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 30TH SEPTEMBER 1998

We have audited the financial statements on pages 6 to 18 which have been prepared under the historical cost convention and the accounting policies set out on page 10.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 4, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

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

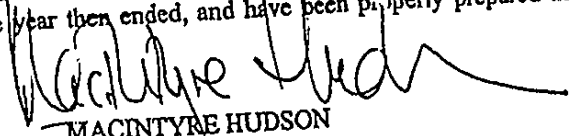
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

OPINION

In our opinion the financial statements give a true and fair view of the company's state of affairs as at 30th September 1998 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Equipoise House
Grove Place
Bedford
MK40 3LE

22. April 1999


MACINTYRE HUDSON
Chartered Accountants
& Registered Auditors

PARAGON ELECTRONIC COMPONENTS PLC
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30TH SEPTEMBER 1998

	Note	1998 £	1997 £
TURNOVER	1	5,768,371	5,478,128
Cost of sales		<u>4,221,531</u>	<u>4,025,820</u>
GROSS PROFIT		1,546,840	1,452,308
Distribution costs		33,134	37,747
Administrative expenses	2	1,289,018	1,007,586
Other operating income	3	<u>(45,000)</u>	<u>(24,000)</u>
OPERATING PROFIT		269,688	430,975
Income from shares in group undertakings	6	-	40,000
Interest receivable	7	398	1,260
Interest payable and similar charges		<u>(39,096)</u>	<u>(34,718)</u>
		230,990	437,517
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	64,617	121,888
Tax on profit on ordinary activities		<u>166,373</u>	<u>315,629</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	9	150,000	140,000
Dividends		<u>16,373</u>	<u>175,629</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		345,023	169,394
Balance brought forward		<u>361,396</u>	<u>345,023</u>
Balance carried forward			

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

The accounting policies and notes on pages 10 to 18 form part of these financial statements.

PARAGON ELECTRONIC COMPONENTS PLC

BALANCE SHEET

30TH SEPTEMBER 1998

	Note	1998 £	1997 £
FIXED ASSETS			
Tangible assets	10	274,498	262,797
Investments	11	-	102
		<u>274,498</u>	<u>262,899</u>
CURRENT ASSETS			
Stocks	12	673,505	567,979
Debtors	13	1,220,494	982,985
Cash at bank and in hand		6,925	305,552
		<u>1,900,924</u>	<u>1,856,516</u>
CREDITORS: Amounts falling due within one year	14	(1,521,631)	(1,516,804)
NET CURRENT ASSETS		379,293	339,712
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>653,791</u>	<u>602,611</u>
CREDITORS: Amounts falling due after more than one year	15	(242,393)	(207,586)
		<u>411,398</u>	<u>395,025</u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	50,002	50,002
Profit and loss account	21	361,396	345,023
SHAREHOLDERS' FUNDS	22	<u>411,398</u>	<u>395,025</u>

These financial statements were approved by the directors on the 16th April 1999, and are signed on their behalf by

C.M. JOHNSON

J.G. MAYES

The accounting policies and notes on pages 10 to 18 form part of these financial statements.

PARAGON ELECTRONIC COMPONENTS PLC

CASH FLOW STATEMENT

YEAR ENDED 30TH SEPTEMBER 1998

	1998	1997
	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES		59,310 325,740
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		40,000
Dividend received from group undertakings	398	1,260
Interest received	(28,310)	(23,495)
Interest paid	(10,786)	(11,223)
Interest element of hire purchase repayments		6,542
NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(38,698) (68,154)
TAXATION		
CAPITAL EXPENDITURE		(24,140)
Payments to acquire tangible fixed assets	(73,923)	17,250
Receipts from sale of fixed assets	13,700	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(60,223) (6,890)
ACQUISITIONS AND DISPOSALS		(2)
Acquisition of shares in group undertakings	102	-
Disposal of shares in group undertakings		
NET CASH INFLOW/(OUTFLOW) FROM ACQUISITIONS AND DISPOSALS		102 (2)
EQUITY DIVIDENDS PAID		(135,000) -
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(296,398) 257,236
FINANCING		(96,957)
Capital element of hire purchase repayments	(84,519)	(184,342)
Repayment of balance owed to directors	(117,710)	200,000
Pension scheme loans received in year	200,000	(100,000)
Pension scheme loans repaid in year	-	
NET CASH OUTFLOW FROM FINANCING		(2,229) (181,299)
(DECREASE)/INCREASE IN CASH		(298,627) 75,937

The accounting policies and notes on pages 10 to 18 form part of these financial statements.

PARAGON ELECTRONIC COMPONENTS PLC

CASH FLOW STATEMENT *(continued)*

YEAR ENDED 30TH SEPTEMBER 1998

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1998 £	1997 £
Operating profit	269,688	430,975
Depreciation	88,088	69,163
Profit on disposal of fixed assets	(651)	(9,000)
Increase in stocks	(105,526)	(110,779)
Increase in debtors	(237,509)	(355,341)
Increase in creditors	45,220	300,722
	<u>59,310</u>	<u>325,740</u>
Net cash inflow from operating activities		

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1998 £	1997 £
(Decrease)/Increase in cash in the period	(298,627)	75,937
Net outflow in respect of director's loans	102,710	44,342
Net outflow/(inflow) in respect of hire purchase agreements	45,604	(60,650)
Net inflow in respect of pension scheme loans	(200,000)	(100,000)
Change in net debt		(350,313)
		(41,450)
Net debt at 1st October 1997		(1,079)
Net debt at 30th September 1998		<u>(391,763)</u>
		<u>(41,450)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Oct 1997 £	Cash flows £	At 30 Sep 1998 £
Net cash:			
Cash at bank and in hand	305,552	(298,627)	6,925
Debt:			
Debt due within 1 year	(139,416)	(16,879)	(156,295)
Debt due after 1 year	(207,586)	(34,807)	(242,393)
	<u>(347,002)</u>	<u>(51,686)</u>	<u>(398,688)</u>
Net debt	<u>(41,450)</u>	<u>(350,313)</u>	<u>(391,763)</u>

MAJOR NON-CASH TRANSACTIONS

- During the year, the company voted dividends of £150,000 (1997 £140,000), £15,000 (1997 £140,000) of which was credited to the director's current accounts.
- During the year, the company entered into hire purchase arrangements in respect of assets with a total capital value at the inception of the agreements of £38,915 (1997 £157,607).

The accounting policies and notes on pages 10 to 16 form part of these financial statements.

PARAGON ELECTRONIC COMPONENTS PLC

ACCOUNTING POLICIES

YEAR ENDED 30TH SEPTEMBER 1998

Basis of accounting

The financial statements have been prepared under the historical cost convention. All applicable Accounting Standards have been complied with, with the main accounting policies used as follows.

Turnover

Turnover represents net invoiced sales of electronic components and allied added value services to equipment manufacturers exclusive of value added tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures and fittings	-	15% per annum
Motor vehicles	-	25% per annum
Office equipment	-	15% per annum
Computer equipment	-	25% to 33% per annum

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is taken as the last purchase price from suppliers plus any delivery charges. Net realisable value is determined using future selling price less any foreseeable costs.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits as incurred.

Pension costs

The company's pension plan for employees is a defined contributions scheme. Consequently, the annual instalments charged to the profit and loss account are fixed under the terms of the scheme and the company has no potential liability other than for the payment of those instalments.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 1998

1. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	1998 £	1997 £
United Kingdom	<u>5,768,371</u>	<u>5,478,128</u>

2. OTHER OPERATING INCOME

	1998 £	1997 £
Management charges receivable	<u>45,000</u>	<u>24,000</u>

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	1998 £	1997 £
Foreign currency gains	(20,810)	(34,828)
Depreciation	88,088	69,163
Profit on disposal of fixed assets	(651)	(9,000)
Auditors' remuneration		
- as auditors	7,000	6,000
- accountancy	8,207	11,842
Operating lease costs:		
Land and buildings	55,875	31,875
Plant and equipment	<u>799</u>	<u>1,539</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	1998 No.	1997 No.
Number of distribution staff	28	22
Number of administrative staff	<u>3</u>	<u>3</u>
	<u>31</u>	<u>25</u>

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 1998

4. PARTICULARS OF EMPLOYEES *(continued)*

The aggregate payroll costs of the above were:

	1998 £	1997 £
Wages and salaries	689,321	608,742
Social security costs	75,609	60,154
Other pension costs	109,274	200,000
	<u>874,204</u>	<u>868,896</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	1998 £	1997 £
Emoluments receivable	257,019	293,476
Value of company pension contributions to money purchase schemes	100,116	200,000
	<u>357,135</u>	<u>493,476</u>

Emoluments of highest paid director:

	1998 £	1997 £
Total emoluments (excluding pension contributions):	100,312	111,528
Value of company pension contributions to money purchase schemes	2,116	49,000
	<u>102,428</u>	<u>160,528</u>

The number of directors who are accruing benefits under company pension schemes were as follows:

	1998 No.	1997 No.
Money purchase schemes	<u>3</u>	<u>2</u>

The pension contributions represent payments into the company's self-administered pension scheme, payments to the directors' unapproved pension schemes, and payments into a separately funded money purchase scheme for one of the directors.

6. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	1998 £	1997 £
Dividends receivable	<u>-</u>	<u>40,000</u>

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 1998

7. INTEREST PAYABLE

	1998 £	1997 £
Interest payable on bank borrowing	2,893	2,104
Finance charges	10,786	11,223
Other similar charges payable	25,417	21,391
	<u>39,096</u>	<u>34,718</u>

3. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
Corporation tax based on the results for the year at 31% (1997 - 32%)	<u>64,617</u>	<u>121,888</u>

9. DIVIDENDS

The following dividends have been paid in respect of the year:

	1998 £	1997 £
Dividends paid on equity shares	<u>150,000</u>	<u>140,000</u>

10. TANGIBLE FIXED ASSETS

	Fixtures and Fittings £	Motor Vehicles £	Office Equipment £	Computer Equipment £	Total £
COST					
At 1 October 1997	57,119	224,657	24,969	66,376	373,121
Additions	82,431	-	20,265	10,142	112,838
Disposals	-	(25,451)	-	-	(25,451)
At 30 September 1998	<u>139,550</u>	<u>199,206</u>	<u>45,234</u>	<u>76,518</u>	<u>460,508</u>
DEPRECIATION					
At 1 October 1997	17,562	57,114	7,376	28,269	110,324
Charge for the year	10,142	54,834	3,985	19,127	88,088
On disposals	-	(12,402)	-	-	(12,402)
At 30 September 1998	<u>27,704</u>	<u>99,546</u>	<u>11,364</u>	<u>47,396</u>	<u>186,010</u>
NET BOOK VALUE					
At 30 September 1998	<u>111,846</u>	<u>99,660</u>	<u>33,870</u>	<u>29,122</u>	<u>274,498</u>
At 30 September 1997	<u>39,557</u>	<u>167,543</u>	<u>17,590</u>	<u>38,107</u>	<u>262,797</u>

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 1998

10. TANGIBLE FIXED ASSETS *(continued)*

Hire purchase agreements

Included within the net book value of £274,498 is £154,402 (1997 - £213,201) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £65,571 (1997 - £50,739).

11. INVESTMENTS

	Subsidiary Undertakings £
COST	
At 1st October 1997	102
Disposals	(102)
At 30th September 1998	-
NET BOOK VALUE	
At 30th September 1998	-
At 30th September 1997	102

On 30th April 1998, the company transferred its interests in the issued ordinary share capital of RFID Components Limited and Paragon Electronic Systems Limited to Paragon Electronics Limited, the company's ultimate parent undertaking.

12. STOCKS

	1998 £	1997 £
Finished goods	673,505	567,979

13. DEBTORS

	1998 £	1997 £
Trade debtors	1,220,294	935,976
Amounts owed by group undertakings	-	40,023
Prepayments and accrued income	200	6,986
	1,220,494	982,985

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 1998

14. CREDITORS: Amounts falling due within one year

	1998	1997
	£	£
Trade creditors	1,062,050	1,122,971
Amounts owed to group undertakings	101,861	2
Other creditors including taxation and social security:		
Advance Corporation Tax	37,500	35,000
Corporation tax	27,117	86,889
PAYE and social security	18,430	26,637
VAT	46,575	72,420
Hire purchase agreements	56,295	76,706
Other loan	100,000	-
Other creditors	3,213	-
Directors current accounts	-	62,710
	<u>289,130</u>	<u>360,361</u>
Accruals and deferred income	68,590	33,469
	<u>1,521,631</u>	<u>1,516,804</u>

The other loan of £100,000 represents an advance made by the company's self-administered pension scheme on 16th October 1997. The loan is repayable on 30th September 1999 and carries interest at 3% over Barclays Bank Plc base rate.

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

	1998	1997
	£	£
Other creditors:		
Hire purchase agreements	42,393	67,586
Other loans	200,000	100,000
Directors' loan accounts	-	40,000
	<u>242,393</u>	<u>207,586</u>

On 30th September 1998, the company was advanced further loans totalling £100,000 from the directors' unapproved pension schemes. The loans are repayable in two annual instalments of £100,000 each on 30th September 2002 and 30th September 2003 and carry interest at 3% over Barclays Bank Plc base rates.

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 1998

16. CREDITORS - CAPITAL INSTRUMENTS

Creditors include finance capital which is due for repayment as follows:

	1998 £	1997 £
In one year or less, or on demand	156,295	76,706
Between two and five years	242,393	167,586
	<u>398,688</u>	<u>244,292</u>

The above liabilities comprise loans from the company's self-administered pension scheme and the directors' unapproved pension schemes, and hire purchase liabilities.

17. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	1998 £	1997 £
Amounts payable within one year	56,295	76,706
Amounts payable in the second to fifth years	42,393	67,586
	<u>98,688</u>	<u>144,292</u>

18. COMMITMENTS UNDER OPERATING LEASES

At 30th September 1998 the company had annual commitments under non-cancellable operating leases as set out below.

	1998 £	Land & Buildings 1997 £
Operating leases which expire:		
Within 1 year	7,969	-
Within 2 to 5 years	-	31,875
After more than 5 years	97,500	-
	<u>105,469</u>	<u>31,875</u>

The freehold premises, from where the business operates, is leased under a 15 year agreement, which terminates on 25th July 2013, from the company's self-administered pension scheme. The current annual rent paid to the pension scheme is £97,500, which is due for review on 25th July 2003 and 25th July 2008.

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 1998

19. RELATED PARTY TRANSACTIONS

On 1st May 1998, the directors, J.G. Mayes and C.M. Johnson, transferred their employment to the company's ultimate parent undertaking, Paragon Electronics Limited.

For the period from 1st May 1998 to 30th September 1998, Paragon Electronics Limited raised management charges totalling £240,000 for management services provided by J.G. Mayes and C.M. Johnson during the period. At 30th September 1998, the company was indebted to Paragon Electronics Limited in the sum of £101,861, of which this amount has been included in creditors (note 14).

During the year, the company raised management charges totalling £45,000 (1997 £24,000) to RFID Components Limited, it's former 100% subsidiary undertaking and now fellow subsidiary undertaking for management and administration services provided during the year.

20. SHARE CAPITAL

Authorised share capital:

	1998 £	1997 £
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid:

	1998 £	1997 £
Ordinary share capital	<u>50,002</u>	<u>50,002</u>

21. PROFIT AND LOSS ACCOUNT

	1998 £	1997 £
Balance brought forward	345,023	169,394
Retained profit for the financial year	<u>16,373</u>	<u>175,629</u>
Balance carried forward	<u>361,396</u>	<u>345,023</u>

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial year	166,373	315,629
Dividends	<u>(150,000)</u>	<u>(140,000)</u>
	16,373	175,629
Opening shareholders' equity funds	<u>395,025</u>	<u>219,396</u>
Closing shareholders' equity funds	<u>411,398</u>	<u>395,025</u>

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 1998

23. CONTINGENCIES

The company acts as guarantor to the major supplier of its fellow subsidiary undertaking, RFID Components Limited. The guarantee is set at a maximum limit of £50,000.

The company also operates a cross guarantee with the bankers of Paragon Electronics Limited, the company's ultimate parent undertaking. At 30th September 1998, there was no contingent liability under this cross guarantee.

24. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate and ultimate parent undertaking is Paragon Electronics Limited, a company incorporated in England. Paragon Electronics Limited has no ultimate controlling party.