

# **Paragon Electronic Components Limited (formerly Paragon Electronic Components Plc)**

Registered number: 02590508

## **Directors' report and financial statements**

**For the year ended 30 September 2016**



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# PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)

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## COMPANY INFORMATION

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**Directors**

S J Dabson  
C M Johnson  
J G Mayes (resigned 14 October 2016)  
P Keane (resigned 14 October 2016)  
G C Smith (resigned 14 October 2016)  
M D C Stuart (resigned 14 October 2016)

**Registered number** 02590508

**Registered office**

Paragon House  
Wolseley Road  
Kempston  
Bedford  
MK42 7UP

**Independent auditor**

Mazars LLP  
Chartered Accountants & Statutory Auditor  
The Pinnacle  
160 Midsummer Boulevard  
Milton Keynes  
MK9 1FF

**Bankers**

Barclays Bank plc  
111 High Street  
Bedford  
MK40 1NJ

**Solicitors**

Shoosmiths  
Witan Gate  
Witan Gate House  
500-600 Witan Gate West  
Milton Keynes  
MK9 1BA

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# **PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)**

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# **PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)**

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## **STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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### **Introduction**

The directors present their Strategic Report for the year ended 30 September 2016.

### **Business review**

The Company continued to extend its component supply chain activities by ongoing development of its component sourcing, verification and counterfeit detection services and focusing on strong partnerships with leading companies in key market sectors. Adverse currency movements, as a result of Brexit, led to increased costs for raw materials. These needed to be absorbed in the short term in order to support long-term agreements with customers.

The Company's on-going 'World Class' initiative, underpins the company's goal to be the best it can be and constantly seek ways to innovate and improve operational efficiency whilst providing services of the highest quality in order to meet or exceed our customers' exacting requirements for quality, cost and on-time delivery in full.

### **Principal risks and uncertainties**

The Directors constantly review risks and uncertainties that face the business, key examples being the loss of a major customer and failure of a major supplier. The Company reduces these risks by endeavouring to ensure that no more than one customer represents more than 15% of group turnover and ensuring multiple sourcing from suppliers wherever possible. The Company has continued to invest significantly in information technology to streamline and manage increasingly complex demands of customers. The failure of these systems would significantly hamper the operation of the business. Therefore the Company has an array of dual redundancy and warm backup solutions for critical hardware and software to ensure that the integrity of data is, as far as is technically feasible, never compromised.

Volatility in the currency markets can lead to pressure on margins, but the Company reduces these through long-term agreements with suppliers wherever possible. In addition, the companies look to forward buy currencies' where practical, together with building in cost flexibility in the Service Level Agreements we hold with customers. This helps to manage such risks within customer designated third party suppliers.

### **Supplier payment policy**

It is the Company's policy to negotiate payment terms with its suppliers in all sectors to ensure that they know the terms on which payments will take place when the business is agreed. It is the Company's policy to abide by these terms and ensure that all procurement activities are conducted in a fair, objective and transparent manner by using best practice in the application of ethical standards.

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# PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)

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## STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

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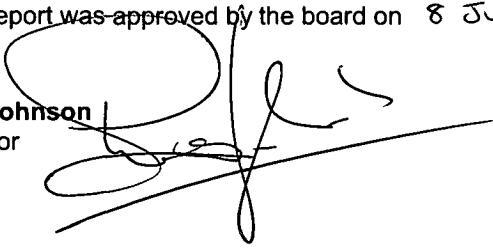
### Financial key performance indicators

The Directors measure financial performance (sales, gross margin, stock turns, cash flow), and customer and employee satisfaction, as indicators of the success of the group. The internal systems and processes are aligned to these KPI's and enable the management team to monitor movement and progress against them.

This report was approved by the board on 8 June 2017

and signed on its behalf.

**C M Johnson**  
Director

A large, stylized handwritten signature in black ink, appearing to be 'C M Johnson', is written over the printed name and title.

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# **PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)**

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## **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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The directors present their report and the financial statements for the year ended 30 September 2016.

### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

### **Results and dividends**

The profit for the year, after taxation, amounted to £31,533 (2015 - £129,966).

The directors do not recommend the payment of a final dividend (2015: £nil). The directors paid an interim dividend of £212,000 (2015: £nil)

### **Directors**

The directors who served during the year and to the date of the report were:

S J Dabson  
C M Johnson  
J G Mayes (resigned 14 October 2016)  
P Keane (resigned 14 October 2016)  
G C Smith (resigned 14 October 2016)  
M D C Stuart (resigned 14 October 2016)

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# **PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)**

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## **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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### **Future developments**

The Company's focus will continue to be on developing strong partnerships with customers in key sectors such as industrial, instrumentation, transportation, medical, high-end communications, aerospace and defence. The Directors are satisfied that the benefits of the on-going investments and the resulting efficiencies mean that the Company is well placed to capitalise on these opportunities.

### **Employee involvement**

The company is committed to ensuring all its employees are fully engaged in the business. All staff members have regular review meetings with their line manager, plus a range of team meetings, together with formal monthly company updates. Employees are actively encouraged to suggest improvements to the business and general environment through the Green Card system. It is an open system that actively rewards any suggestions which are then more formally considered by dedicated site review teams and, where appropriate, actioned with the involvement of the originator. During the year each employee is given the opportunity to attend at least two 'listening days' with a main board director. These take place in a relaxed environment where they are encouraged to provide feedback, positive or negative, on their views of the business. A non-attributable summary of these discussions is then shared across all heads of department to ensure lessons can be learned, and adjustments made where necessary, and that praise and other positive messages can be passed on when appropriate.

### **Matters covered in the strategic report**

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report instead. These matters relate to business review, principle risks and uncertainties, supplier payment policy and key performance indicators.

### **Disclosure of information to auditor**

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Post balance sheet events**

There have been no significant events affecting the Company since the year end.

### **Auditor**

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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**PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON  
ELECTRONIC COMPONENTS PLC)**

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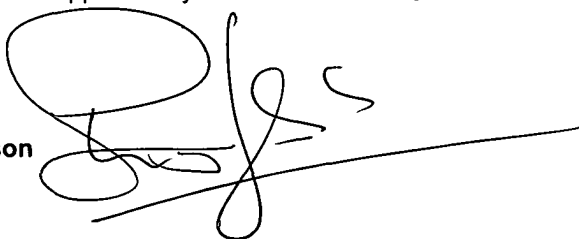
**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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This report was approved by the board on 8 June 2017

and signed on its behalf.

**C M Johnson**  
Director

A handwritten signature in black ink, consisting of a large, stylized 'C' followed by 'M' and 'J', with a long horizontal line extending to the right.



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# **PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)**

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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)**

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We have audited the financial statements of Paragon Electronic Components Limited (formerly Paragon Electronic Components Plc) for the year ended 30 September 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on the other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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## PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)

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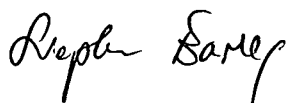
### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)

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#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Stephen Eames (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

The Pinnacle  
160 Midsummer Boulevard  
Milton Keynes  
MK9 1FF

Date: 12 JUNE 2017

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# PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)

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## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2016

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	Note	2016 £	2015 £
Turnover	4	11,152,591	11,113,811
Cost of sales		(9,357,883)	(8,913,982)
<b>Gross profit</b>		<u>1,794,708</u>	<u>2,199,829</u>
Administrative expenses		(1,755,064)	(2,010,235)
<b>Operating profit</b>	5	<u>39,644</u>	<u>189,594</u>
Interest receivable and similar income	9	-	9
Interest payable and expenses	10	(17,296)	(18,684)
<b>Profit before tax</b>		<u>22,348</u>	<u>170,919</u>
Tax on profit	11	9,185	(40,953)
<b>Profit for the year</b>		<u><u>31,533</u></u>	<u><u>129,966</u></u>

There were no recognised gains and losses for 2016 or 2015 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2016 (2015:£NIL).

The notes on pages 11 to 29 form part of these financial statements.

**PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)**  
**REGISTERED NUMBER: 02590508**

**BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2016**

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Tangible assets	13	310,352	415,500
		<u>310,352</u>	<u>415,500</u>
<b>Current assets</b>			
Stocks	14	1,406,319	1,643,210
Debtors: amounts falling due within one year	15	4,398,646	4,545,450
Cash at bank and in hand	16	33,757	12,744
		<u>5,838,722</u>	<u>6,201,404</u>
Creditors: amounts falling due within one year	17	(2,876,707)	(3,114,909)
<b>Net current assets</b>		<u>2,962,015</u>	<u>3,086,495</u>
<b>Total assets less current liabilities</b>		<u>3,272,367</u>	<u>3,501,995</u>
Creditors: amounts falling due after more than one year	18	(33,495)	(82,656)
<b>Net assets</b>		<u><u>3,238,872</u></u>	<u><u>3,419,339</u></u>
<b>Capital and reserves</b>			
Called up share capital	21	51,002	51,002
Share premium account	22	19,000	19,000
Profit and loss account	22	3,168,870	3,349,337
		<u><u>3,238,872</u></u>	<u><u>3,419,339</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8 June 2017

**S J Dabson**  
 Director

The notes on pages 11 to 29 form part of these financial statements.

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**PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 October 2014	51,002	19,000	3,219,371	3,289,373
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	129,966	129,966
<b>Total comprehensive income for the year</b>	-	-	129,966	129,966
At 1 October 2015	51,002	19,000	3,349,337	3,419,339
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	31,533	31,533
<b>Total comprehensive income for the year</b>	-	-	31,533	31,533
Dividends: Equity capital	-	-	(212,000)	(212,000)
<b>At 30 September 2016</b>	<u>51,002</u>	<u>19,000</u>	<u>3,168,870</u>	<u>3,238,872</u>

The notes on pages 11 to 29 form part of these financial statements.

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# PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

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### 1. General information

Paragon Electronic Components PLC is a limited company incorporated in the United Kingdom. The address of its registered office and principal place of business are disclosed in the company information.

The company's principal activities are the provision of electronic component procurement logistics, distribution, managing contract electronics manufacturing and allied services.

These financial statements have been presented in Pound Sterling as this is the currency of the primary economic environment in which the company operates.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

These financial statements for the year ended 30 September 2016 are the first financial statements of Paragon Electronic Components PLC prepared in accordance with FRS 102. The date of transition to FRS 102 was 1 October 2014. The impact of first-time adoption of FRS 102 is given in note 27.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

#### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Paragon Electronics Limited as at 31 September 2016 and these financial statements may be obtained from Paragon House, Wolseley Road, Kempston, Bedford, MK42 7UP.

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# **PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)**

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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### **2. Accounting policies (continued)**

#### **2.3 Going concern**

The Directors have considered the budgets and cashflow forecasts for the company and confirmed that the company will be able to meet its liabilities as they fall due and so the financial statements have been prepared on a going concern basis.

#### **2.4 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

##### **Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### **Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

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# PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

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### 2. Accounting policies (continued)

#### 2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Motor vehicles	- 25% straight line
Fixtures & fittings	- 15% straight line
Office equipment	- 15% straight line
Computer equipment	- 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

#### 2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

#### 2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.



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# **PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)**

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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### **2. Accounting policies (continued)**

#### **2.8 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### **2.9 Financial instruments**

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **2.10 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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# **PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)**

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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### **2. Accounting policies (continued)**

#### **2.11 Foreign currency translation**

##### **Functional and presentation currency**

The Company's functional and presentational currency is GBP.

##### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

#### **2.12 Finance costs**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### **2.13 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

#### **2.14 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

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# **PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)**

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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### **2. Accounting policies (continued)**

#### **2.15 Pensions**

##### **Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

#### **2.16 Holiday pay accrual**

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

#### **2.17 Interest income**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

#### **2.18 Borrowing costs**

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

#### **2.19 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

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# **PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)**

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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### **2. Accounting policies (continued)**

#### **2.20 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

### **3. Judgments in applying accounting policies and key sources of estimation uncertainty**

In applying the company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revisions affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The key estimates and assumptions made in these accounts are:

Bad debts are provided for on a specific basis, based on management's best estimate of the recoverable amounts.

Stock is provided for using stock movement calculations, with consideration given to expected future movements on specific items.

# PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 4. Turnover

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Provision of electronic components procurement logistics, distributoin, managing contract electronics mnaufacturing and allied services	11,152,591	11,113,811

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	10,679,681	10,461,562
Rest of the world	472,910	652,249
	11,152,591	11,113,811

### 5. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Research & development charged as an expense	-	186,770
Depreciation of tangible fixed assets	167,434	166,931
Exchange differences	107,342	31,219
Other operating lease rentals	91,700	91,700

### 6. Auditor's remuneration

	2016 £	2015 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	34,025	31,063
<b>Fees payable to the Company's auditor in respect of:</b>		
All other services	64,233	32,503

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# PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

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### 7. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	1,305,381	1,081,922
Social security costs	187,002	176,362
Cost of defined contribution scheme	76,005	70,544
	<u>1,568,388</u>	<u>1,328,828</u>

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

	2016 No.	2015 No.
Distribution	49	47
Adminsitration	9	9
	<u>58</u>	<u>56</u>

### 8. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	493,037	448,450
Company contributions to defined contribution pension schemes	61,692	44,331
	<u>554,729</u>	<u>492,781</u>

During the year retirement benefits were accruing to 4 directors (2015 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £144,571 (2015 - £148,218).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £14,834 (2015 - £14,834).

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# **PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)**

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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### **9. Interest receivable**

	<b>2016 £</b>	<b>2015 £</b>
Other interest receivable	-	9
	<u>          </u>	<u>          </u>

### **10. Interest payable and similar charges**

	<b>2016 £</b>	<b>2015 £</b>
Bank interest payable	5,520	6,235
Other loan interest payable	4,614	3,440
Finance leases and hire purchase contracts	7,162	9,009
	<u>17,296</u>	<u>18,684</u>
	<u>          </u>	<u>          </u>

### **11. Taxation**

	<b>2016 £</b>	<b>2015 £</b>
<b>Corporation tax</b>		
Current tax on profits for the year	-	46,479
Adjustments in respect of previous periods	(124)	1
<b>Total current tax</b>	<u>(124)</u>	<u>46,480</u>
	<u>          </u>	<u>          </u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(9,061)	(5,527)
<b>Total deferred tax</b>	<u>(9,061)</u>	<u>(5,527)</u>
	<u>          </u>	<u>          </u>
<b>Taxation on profit on ordinary activities</b>	<u>(9,185)</u>	<u>40,953</u>
	<u>          </u>	<u>          </u>

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# PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

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### 11. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20.5%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	22,348	170,919
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.5%)	4,470	35,038
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	24,165	5,869
Adjustments to tax charge in respect of prior periods	(124)	1
Fixed asset differences	413	-
Non-taxable income	(111,658)	-
Group relief	68,960	-
Marginal relief	-	(91)
Adjust closing deferred tax to average rate	4,589	136
<b>Total tax charge for the year</b>	<b>(9,185)</b>	<b>40,953</b>

#### Factors that may affect future tax charges

In the Finance Act 2016 further changes to the future rates of Corporation tax were enacted on 15 September 2016.

Under this legislation, the rate of Corporation tax will be reduced from 20% to 19% from April 2017, and further reduced to 17% from April 2020.

### 12. Dividends

	2016 £	2015 £
Dividends paid	212,000	-



# **PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

### **13. Tangible fixed assets**

	Motor vehicles £	Office equipment £	Fixtures & fittings £	Computer equipment £	Total £
<b>Cost or valuation</b>					
At 1 October 2015	511,681	326,698	363,134	489,288	1,690,801
Additions	22,553	283	2,787	36,663	62,286
At 30 September 2016	534,234	326,981	365,921	525,951	1,753,087
<b>Depreciation</b>					
At 1 October 2015	271,578	237,539	325,339	440,845	1,275,301
Charge for the period on owned assets	161	29,556	11,903	26,009	67,629
Charge for the period on financed assets	99,805	-	-	-	99,805
At 30 September 2016	371,544	267,095	337,242	466,854	1,442,735
<b>Net book value</b>					
At 30 September 2016	162,690	59,886	28,679	59,097	310,352
At 30 September 2015	240,103	89,159	37,795	48,443	415,500

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2016 £	2015 £
Motor vehicles	164,387	264,214

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# PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

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### 14. Stocks

	2016 £	2015 £
Finished goods and goods for resale	1,406,319	1,643,210

The value of stock used in cost of sales in the year was £7,725,326 (2015 - £7,414,119).

The amount of stock written off in the year was £172,639 (2015 - £328,649).

### 15. Debtors

	2016 £	2015 £
Trade debtors	905,766	1,248,142
Amounts owed by group undertakings	3,444,807	3,264,564
Other debtors	1,578	150
Prepayments and accrued income	20,491	15,651
Deferred taxation	26,004	16,943
	4,398,646	4,545,450

### 16. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	33,757	12,744
Less: bank overdrafts	(361,550)	(298,242)
	(327,793)	(285,498)

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# PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

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### 17. Creditors: Amounts falling due within one year

	2016 £	2015 £
Bank overdrafts	361,550	298,242
Trade creditors	1,949,639	1,765,134
Amounts owed to group undertakings	98	558,908
Corporation tax	-	46,480
Taxation and social security	281,850	218,431
Obligations under finance lease and hire purchase contracts	56,191	87,711
Other creditors	28,081	42,019
Accruals and deferred income	199,298	97,984
	<u>2,876,707</u>	<u>3,114,909</u>

Included within bank overdrafts are advances in respect of financed debtors of £361,550 (2015: £298,242) which are secured against the company's debtors ledger.

### 18. Creditors: Amounts falling due after more than one year

	2016 £	2015 £
Net obligations under finance leases and hire purchase contracts	<u>33,495</u>	<u>82,656</u>

### 19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2016 £	2015 £
Within one year	56,191	87,711
Between 1-5 years	33,495	82,656
	<u>89,686</u>	<u>170,367</u>

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# PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

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### 20. Deferred taxation

	2016 £
At beginning of year	16,943
Charged to profit or loss	9,061
<b>At end of year</b>	<b>26,004</b>

The deferred tax asset is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	19,833	14,514
Tax losses carried forward	772	-
Other short term timing differences	5,399	2,429
	<b>26,004</b>	<b>16,943</b>

Of the deferred tax £nil is expected to be released in the next 12 months.

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# PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

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### 21. Share capital

	2016 £	2015 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
51,002 Ordinary shares of £1 each	51,002	51,002

The Company has one class of ordinary shares which carry voting rights but no right to fixed income.

### 22. Reserves

#### Share premium

Share premium represents the difference between the nominal value of shares and the amount paid on issue.

#### Profit & loss account

This reserve represents the cumulative profits and losses of the company after the payment of dividends.

### 23. Pension commitments

The Company operates a defined contribution pension scheme in respect of its employees. The assets of the scheme are held separately from the Company in independently administered funds. The pension cost charge represents contributions payable by the Company and amounted to £57,312 (2015: £70,544). There were outstanding contributions at the year end amounting to £19,617 (2015 - £12,142).

### 24. Commitments under operating leases

At 30 September 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	78,500	82,467
Later than 1 year and not later than 5 years	65,417	143,917
	<u>143,917</u>	<u>226,384</u>

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# **PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)**

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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### **25. Related party transactions**

The Company has taken advantage of the exemption available in accordance within Section 33 'Related party disclosure' of FRS 102 not to disclose transactions entered into between two or more members of a group that are wholly owned.

### **26. Controlling party**

Paragon Electronics Limited is the immediate and ultimate parent company of Paragon Electronic Components PLC.

At 30 September 2016, the directors C M Johnson and J G Mayes hold 100% of the voting rights in Paragon Electronics Limited and are considered to be the ultimate controlling parties.

Following the year end the ultimate controlling party changed to CM Johnson by virtue of his shareholdings.

The largest group in which the results of the company are consolidated is that headed by Paragon Electronics Limited. The consolidated accounts of Paragon Electronics Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff. No other group accounts included the results of the company.

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**PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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**27. First time adoption of FRS 102**

The Company transitioned to FRS 102 from previously extant UK GAAP as at 1 October 2014. The impact of the transition to FRS 102 is as follows:

		As previously stated 1 October 2014 £	Effect of transition 1 October 2014 £	FRS 102 (as restated) 1 October 2014 £	As previously stated 30 September 2015 £	Effect of transition 30 September 2015 £	FRS 102 (as restated) 30 September 2015 £
Note							
Fixed assets		423,399	-	423,399	415,500	-	415,500
Current assets		5,791,395	-	5,791,395	6,201,404	-	6,201,404
Creditors: amounts falling due within one year	1	(2,843,218)	(13,818)	(2,857,036)	(3,101,091)	(13,818)	(3,114,909)
<b>Net current assets</b>		<b>2,948,177</b>	<b>(13,818)</b>	<b>2,934,359</b>	<b>3,100,313</b>	<b>(13,818)</b>	<b>3,086,495</b>
<b>Total assets less current liabilities</b>		<b>3,371,576</b>	<b>(13,818)</b>	<b>3,357,758</b>	<b>3,515,813</b>	<b>(13,818)</b>	<b>3,501,995</b>
Creditors: amounts falling due after more than one year		(68,385)	-	(68,385)	(82,656)	-	(82,656)
<b>Net assets</b>		<b>3,303,191</b>	<b>(13,818)</b>	<b>3,289,373</b>	<b>3,433,157</b>	<b>(13,818)</b>	<b>3,419,339</b>
Capital and reserves	1	3,303,191	(13,818)	3,289,373	3,433,157	(13,818)	3,419,339

# **PARAGON ELECTRONIC COMPONENTS LIMITED (FORMERLY PARAGON ELECTRONIC COMPONENTS PLC)**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

### **27. First time adoption of FRS 102 (continued)**

		As previously stated 30 September 2015 £	Effect of transition 30 September 2015 £	FRS 102 (as restated) 30 September 2015 £
Turnover	Note	11,113,811	-	11,113,811
Cost of sales		(8,913,982)	-	(8,913,982)
		<u>2,199,829</u>	<u>-</u>	<u>2,199,829</u>
Administrative expenses		(2,010,235)	-	(2,010,235)
<b>Operating profit</b>		<u>189,594</u>	<u>-</u>	<u>189,594</u>
Interest receivable and similar income		9	-	9
Interest payable and similar charges		(18,684)	-	(18,684)
Taxation		(40,953)	-	(40,953)
<b>Profit on ordinary activities after taxation and for the financial year</b>		<u><u>129,966</u></u>	<u><u>-</u></u>	<u><u>129,966</u></u>

Explanation of changes to previously reported profit and equity:

- Holiday pay accrual has now been recognised for unused holiday