
PARAGON ELECTRONIC COMPONENTS LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**



PARAGON ELECTRONIC COMPONENTS LIMITED

COMPANY INFORMATION

| | |
|----------------------------|--|
| 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 |

PARAGON ELECTRONIC COMPONENTS LIMITED

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PARAGON ELECTRONIC COMPONENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2017

Introduction

The directors present their Strategic Report for the year ended 30 September 2017.

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, and considerable price and supply issues in the electronics sector 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 has continued to 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 group 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.

PARAGON ELECTRONIC COMPONENTS LIMITED

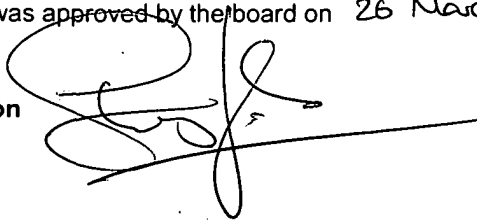
**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

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 26 March 2018 and signed on its behalf.

C M Johnson
Director

A handwritten signature in black ink, appearing to be 'C M Johnson', written over a horizontal line.

PARAGON ELECTRONIC COMPONENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors present their report and the financial statements for the year ended 30 September 2017.

Results and dividends

The profit for the year, after taxation, amounted to £205,507 (2016 - £31,533).

The directors do not recommend the payment of a final dividend. The directors paid an interim dividend of £Nil (2016: £212,000)

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)

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.

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.

PARAGON ELECTRONIC COMPONENTS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

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.

Auditor

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

This report was approved by the board on 26 March 2018

and signed on its behalf.


C M Johnson
Director

PARAGON ELECTRONIC COMPONENTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARAGON ELECTRONIC COMPONENTS LIMITED

Opinion

We have audited the financial statements of Paragon Electronic Components Limited (the 'Company') for the year ended 30 September 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of the audit report

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors' have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

PARAGON ELECTRONIC COMPONENTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARAGON ELECTRONIC COMPONENTS LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the directors' Report.

We have nothing to report in respect of the following matters in relation to which 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 specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

PARAGON ELECTRONIC COMPONENTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARAGON ELECTRONIC COMPONENTS LIMITED

Responsibilities of Directors

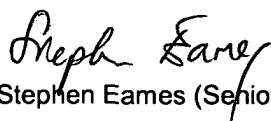
As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors' determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



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: 28 MARCH 2018

PARAGON ELECTRONIC COMPONENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2017

| | Note | 2017 £ | 2016 £ |
|--|------|-----------------------|----------------------|
| Turnover | 4 | 12,218,793 | 11,152,591 |
| Cost of sales | | (10,512,259) | (9,357,883) |
| Gross profit | | <u>1,706,534</u> | <u>1,794,708</u> |
| Administrative expenses | | (1,551,054) | (1,755,064) |
| Operating profit | 5 | <u>155,480</u> | <u>39,644</u> |
| Interest receivable and similar income | 9 | 160 | - |
| Interest payable and expenses | 10 | (20,371) | (17,296) |
| Profit before tax | | <u>135,269</u> | <u>22,348</u> |
| Tax credit on profit | 11 | 70,238 | 9,185 |
| Profit for the financial year | | <u><u>205,507</u></u> | <u><u>31,533</u></u> |

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2017 (2016: £NIL).

The notes on pages 11 to 27 form part of these financial statements.

PARAGON ELECTRONIC COMPONENTS LIMITED
REGISTERED NUMBER: 02590508

BALANCE SHEET
AS AT 30 SEPTEMBER 2017

| | Note | 2017 £ | 2016 £ |
|---|------|-------------------------|-------------------------|
| Fixed assets | | | |
| Tangible assets | 13 | 307,235 | 310,352 |
| | | <u>307,235</u> | <u>310,352</u> |
| Current assets | | | |
| Stocks | 14 | 1,452,351 | 1,406,319 |
| Debtors: amounts falling due within one year | 15 | 4,411,356 | 4,398,646 |
| Cash at bank and in hand | 16 | 77,244 | 33,757 |
| | | <u>5,940,951</u> | <u>5,838,722</u> |
| Creditors: amounts falling due within one year | 17 | (2,728,620) | (2,876,707) |
| Net current assets | | <u>3,212,331</u> | <u>2,962,015</u> |
| Total assets less current liabilities | | <u>3,519,566</u> | <u>3,272,367</u> |
| Creditors: amounts falling due after more than one year | 18 | (75,187) | (33,495) |
| Net assets | | <u><u>3,444,379</u></u> | <u><u>3,238,872</u></u> |
| Capital and reserves | | | |
| Called up share capital | 21 | 51,002 | 51,002 |
| Share premium account | 22 | 19,000 | 19,000 |
| Profit and loss account | 22 | 3,374,377 | 3,168,870 |
| | | <u><u>3,444,379</u></u> | <u><u>3,238,872</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
26 March 2018

S J Dabson
Director

The notes on pages 11 to 27 form part of these financial statements.

PARAGON ELECTRONIC COMPONENTS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

| | Called up share capital | Share premium account | Profit and loss account | Total equity |
|--|----------------------------|-----------------------------|----------------------------|------------------|
| | £ | £ | £ | £ |
| At 1 October 2015 | 51,002 | 19,000 | 3,349,337 | 3,419,339 |
| Comprehensive income for the year | | | | |
| Profit for the year | - | - | 31,533 | 31,533 |
| Total comprehensive income for the year | - | - | 31,533 | 31,533 |
| Dividends: Equity capital | - | - | (212,000) | (212,000) |
| Total transactions with owners | - | - | (212,000) | (212,000) |
| At 1 October 2016 | 51,002 | 19,000 | 3,168,870 | 3,238,872 |
| Comprehensive income for the year | | | | |
| Profit for the year | - | - | 205,507 | 205,507 |
| Total comprehensive income for the year | - | - | 205,507 | 205,507 |
| At 30 September 2017 | 51,002 | 19,000 | 3,374,377 | 3,444,379 |

The notes on pages 11 to 27 form part of these financial statements.

PARAGON ELECTRONIC COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. General information

Paragon Electronic Components Limited is a private company limited by shares, incorporated in the United Kingdom. The address of its registered office and principal place of business is Paragon House, Wolseley Road, Kempston, Bedford, MK42 7UP. Company number 02590508.

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.

Monetary amounts in these financial statements have been rounded to the nearest £.

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.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement 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 30 September 2017 and these financial statements may be obtained from Paragon House, Wolseley Road, Kempston, Bedford, MK42 7UP.

PARAGON ELECTRONIC COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

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.

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.

PARAGON ELECTRONIC COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

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.

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.

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

PARAGON ELECTRONIC COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. Accounting policies (continued)

2.9 Financial instruments (continued)

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.

2.11 Foreign currency translation

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.

PARAGON ELECTRONIC COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. Accounting policies (continued)

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.

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.

PARAGON ELECTRONIC COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. Accounting policies (continued)

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.

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.

PARAGON ELECTRONIC COMPONENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

3. Judgements 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.

4. Turnover

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

| | 2017 £ | 2016 £ |
|--|------------|------------|
| Provision of electronic components procurement logistics, distribution, managing contract electronics manufacturing and allied services | 12,218,793 | 11,152,591 |

Analysis of turnover by country of destination:

| | 2017 £ | 2016 £ |
|-------------------|------------|------------|
| United Kingdom | 11,820,996 | 10,679,681 |
| Rest of the world | 397,797 | 472,910 |
| | 12,218,793 | 11,152,591 |

PARAGON ELECTRONIC COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

5. Operating profit

The operating profit is stated after charging / (crediting):

| | 2017 £ | 2016 £ |
|---|-------------------|-------------------|
| Depreciation of tangible fixed assets | 132,915 | 167,434 |
| Loss on disposal of tangible fixed assets | 14,522 | - |
| Exchange differences | (60,789) | 107,342 |
| Other operating lease rentals | 91,700 | 91,700 |
| | <u> </u> | <u> </u> |

6. Auditor's remuneration

| | 2017 £ | 2016 £ |
|--|-------------------|-------------------|
| Fees payable to the Company's auditor for the audit of the Company's annual financial statements | 10,886 | 11,897 |
| | <u> </u> | <u> </u> |
| Fees payable to the Company's auditor in respect of: | | |
| All other services | 6,123 | 42,599 |
| | <u> </u> | <u> </u> |

7. Employees

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

| | 2017 £ | 2016 £ |
|-------------------------------------|------------------|------------------|
| Wages and salaries | 960,495 | 1,305,381 |
| Social security costs | 152,907 | 187,002 |
| Cost of defined contribution scheme | 62,438 | 76,005 |
| | <u>1,175,840</u> | <u>1,568,388</u> |

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

| | 2017 No. | 2016 No. |
|----------------|-------------|-------------|
| Distribution | 21 | 22 |
| Adminsitration | 28 | 35 |
| | <u>49</u> | <u>57</u> |

PARAGON ELECTRONIC COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

8. Directors' remuneration

| | 2017 £ | 2016 £ |
|---|----------------|----------------|
| Directors' emoluments | 204,550 | 493,037 |
| Company contributions to defined contribution pension schemes | 16,297 | 61,692 |
| | <u>220,847</u> | <u>554,729</u> |

During the year retirement benefits were accruing to 2 directors (2016 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £143,318 (2016 - £144,571).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £16,592 (2016 - £14,834).

9. Interest receivable

| | 2017 £ | 2016 £ |
|---------------------------|------------|-----------|
| Other interest receivable | 160 | - |
| | <u>160</u> | <u>-</u> |

10. Interest payable and similar charges

| | 2017 £ | 2016 £ |
|--|---------------|---------------|
| Bank interest payable | 112 | 5,520 |
| Other loan interest payable | 14,446 | 4,614 |
| Finance leases and hire purchase contracts | 5,813 | 7,162 |
| | <u>20,371</u> | <u>17,296</u> |

PARAGON ELECTRONIC COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

11. Taxation

| | 2017 £ | 2016 £ |
|--|---------------------|--------------------|
| Corporation tax | | |
| Current tax on profits for the year | 9,982 | - |
| Adjustments in respect of previous periods | - | (124) |
| | <u>9,982</u> | <u>(124)</u> |
| R&D tax credit | (95,559) | - |
| | <u>(85,577)</u> | <u>(124)</u> |
| Total current tax | <u>(85,577)</u> | <u>(124)</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 14,567 | (9,061) |
| Adjustments in respect of prior periods | 772 | - |
| Total deferred tax | <u>15,339</u> | <u>(9,061)</u> |
| Taxation on profit on ordinary activities | <u>(70,238)</u> | <u>(9,185)</u> |

PARAGON ELECTRONIC COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.5% (2016 - 20%). The differences are explained below:

| | 2017 £ | 2016 £ |
|--|-----------------|----------------|
| Profit on ordinary activities before tax | 135,269 | 22,348 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2016 - 20%) | 26,377 | 4,470 |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 12 | 24,165 |
| R&D tax credit | (95,559) | - |
| Adjustments to tax charge in respect of prior periods | - | (124) |
| Adjustments to tax in respect of prior periods - deferred tax | 772 | - |
| Fixed asset differences | 322 | 413 |
| Non-taxable income | (19) | (111,658) |
| Group relief | - | 68,960 |
| Adjust closing deferred tax to average rate | 1,568 | 4,589 |
| Adjust opening deferred tax to average rate | (3,711) | - |
| Total tax charge/(credit) for the year | (70,238) | (9,185) |

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 was reduced from 20% to 19% from April 2017, and further reduced to 17% from April 2020.

12. Dividends

| | 2017 £ | 2016 £ |
|----------------|-----------|-----------|
| Dividends paid | - | 212,000 |

PARAGON ELECTRONIC COMPONENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

13. Tangible fixed assets

| | Motor vehicles £ | Fixtures & fittings £ | Office equipment £ | Computer equipment £ | Total £ |
|--|------------------------|-----------------------------|--------------------------|----------------------------|------------|
| Cost or valuation | | | | | |
| At 1 October 2016 | 534,234 | 365,921 | 326,981 | 525,951 | 1,753,087 |
| Additions | 173,189 | 4,404 | - | 3,487 | 181,080 |
| Disposals | (297,315) | - | - | - | (297,315) |
| At 30 September 2017 | 410,108 | 370,325 | 326,981 | 529,438 | 1,636,852 |
| Depreciation | | | | | |
| At 1 October 2016 | 371,544 | 337,242 | 267,095 | 466,854 | 1,442,735 |
| Charge for the year on owned assets | 703 | 12,681 | 23,238 | 25,885 | 62,507 |
| Charge for the year on financed assets | 70,408 | - | - | - | 70,408 |
| Disposals | (246,033) | - | - | - | (246,033) |
| At 30 September 2017 | 196,622 | 349,923 | 290,333 | 492,739 | 1,329,617 |
| Net book value | | | | | |
| At 30 September 2017 | 213,486 | 20,402 | 36,648 | 36,699 | 307,235 |
| At 30 September 2016 | 162,690 | 28,679 | 59,886 | 59,097 | 310,352 |

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

| | 2017 £ | 2016 £ |
|----------------|-----------|-----------|
| Motor vehicles | 195,218 | 164,387 |

PARAGON ELECTRONIC COMPONENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

14. Stocks

| | 2017 | 2016 |
|-------------------------------------|------------------|------------------|
| | £ | £ |
| Raw materials and consumables | 902,808 | 780,293 |
| Work in progress (goods to be sold) | 339,315 | 394,737 |
| Finished goods and goods for resale | 210,228 | 231,291 |
| | <u>1,452,351</u> | <u>1,406,321</u> |

The value of stock used in cost of sales in the year was £8,397,324 (2016 - £7,725,326).

The amount of stock written off in the year was £27,194 (2016 - £172,639).

15. Debtors

| | 2017 | 2016 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Trade debtors | 686,772 | 905,766 |
| Amounts owed by group undertakings | 3,612,883 | 3,444,807 |
| Other debtors | 43,931 | 1,578 |
| Prepayments and accrued income | 57,105 | 20,491 |
| Deferred taxation | 10,665 | 26,004 |
| | <u>4,411,356</u> | <u>4,398,646</u> |

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

16. Cash and cash equivalents

| | 2017 | 2016 |
|--------------------------|------------------|------------------|
| | £ | £ |
| Cash at bank and in hand | 77,244 | 33,757 |
| Less: bank overdrafts | (557,381) | (361,550) |
| | <u>(480,137)</u> | <u>(327,793)</u> |

PARAGON ELECTRONIC COMPONENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

17. Creditors: Amounts falling due within one year

| | 2017 £ | 2016 £ |
|---|------------------|------------------|
| Bank overdrafts | 557,381 | 361,550 |
| Trade creditors | 1,726,929 | 1,949,639 |
| Amounts owed to group undertakings | 20,722 | 98 |
| Corporation tax | 9,982 | - |
| Taxation and social security | 222,180 | 281,850 |
| Obligations under finance lease and hire purchase contracts | 69,748 | 56,191 |
| Other creditors | 25,483 | 28,081 |
| Accruals and deferred income | 96,195 | 199,298 |
| | <u>2,728,620</u> | <u>2,876,707</u> |

Included within bank overdrafts are advances in respect of financed debtors of £557,381 (2016: £361,550) which are secured against the company's debtors ledger.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

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

| | 2017 £ | 2016 £ |
|--|---------------|---------------|
| Net obligations under finance leases and hire purchase contracts | <u>75,187</u> | <u>33,495</u> |

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

| | 2017 £ | 2016 £ |
|-------------------|----------------|---------------|
| Within one year | 69,748 | 56,191 |
| Between 1-5 years | 75,187 | 33,495 |
| | <u>144,935</u> | <u>89,686</u> |

PARAGON ELECTRONIC COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

20. Deferred taxation

| | 2017 £ |
|---------------------------|---------------|
| At beginning of year | 26,004 |
| Charged to profit or loss | (15,339) |
| At end of year | 10,665 |

The deferred tax asset is made up as follows:

| | 2017 £ | 2016 £ |
|-------------------------------------|---------------|---------------|
| Accelerated capital allowances | 8,995 | 19,833 |
| Tax losses carried forward | - | 772 |
| Other short term timing differences | 1,670 | 5,399 |
| | 10,665 | 26,004 |

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

PARAGON ELECTRONIC COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

21. Share capital

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| Shares classified as equity | | |
| Allotted, called up and fully paid | | |
| 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 £62,438 (2016: £76,005). There were outstanding contributions at the year end amounting to £9,726 (2016: £19,617).

24. Commitments under operating leases

At 30 September 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2017 £ | 2016 £ |
|--|---------------|----------------|
| Not later than 1 year | 65,417 | 78,500 |
| Later than 1 year and not later than 5 years | - | 65,417 |
| | <u>65,417</u> | <u>143,917</u> |

PARAGON ELECTRONIC COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

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.

During the year the Company loaned £42,700 to S Dabson, a director of the Company. At the year end the outstanding balance is £42,700 and this amount is included within other debtors (2016: £Nil). The maximum outstanding during the year was £42,700 (2016: £Nil).

26. Controlling party

The immediate parent company is Paragon Electronics Limited and the ultimate parent company is Project Alcaeus TopCo Limited, both companies are incorporated in England and Wales.

At 30 September 2017, C M Johnson was considered the ultimate controlling party virtue of his shareholdings in of Project Alcaeus TopCo Limited.

The largest group in which the results of the Company are consolidated is that headed by Project Alcaeus TopCo Limited. The consolidated accounts of Project Alcaeus TopCo Limited are available to the public and may be obtained from Paragon House, Wolseley Road, Kempston, Bedford, MK42 7UP.