

Paragon Electronic Components PLC

Registered number 2590508

Directors' report and financial statements

For the year ended 30 September 2010



PARAGON ELECTRONIC COMPONENTS PLC

COMPANY INFORMATION

Directors	S J Dabson C M Johnson P Keane J G Mayes G C Smith M D C Stuart
Company secretary	S J Dabson
Company number	2590508
Registered office	Paragon House Wolseley Road Kempston Bedford Bedfordshire MK42 7UP
Auditors	Mazars LLP Chartered Accountants & Statutory Auditors The Pinnacle 160 Midsummer Boulevard Milton Keynes MK9 1FF

PARAGON ELECTRONIC COMPONENTS PLC

CONTENTS

	Page
Directors' report	1 - 3
Independent auditors' report	4 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 20

PARAGON ELECTRONIC COMPONENTS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2010

The directors present their report and the financial statements for the year ended 30 September 2010

Statement of directors' responsibilities

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 and then apply them consistently,
- make judgments and 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.

Principal activities

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

Business review

As part of our group-wide 'World Class' Initiative, the company strives to be the best it can be and constantly seeks ways to improve and innovate. Objectives are set for increasing customer service levels and improving operational efficiency and, where appropriate, leading edge business processes, quality management and problem solving techniques are adopted. Accordingly, there has been an extensive programme of training of existing staff and the introduction of additional skills and expertise via recruitment of new staff in key areas. In addition, enhancements have been implemented to the group-wide business management software and the company achieved registration to the rigorous AS9100 Revision 'B' aerospace quality standard. These investments and activities recognise the ongoing commitment to provide services of the highest quality and increase our ability to continue to meet our customers' exacting quality requirements via our technology, capabilities and process-oriented approach.

As a result of the investment programme, our capabilities and quality have been enhanced and significant opportunities in new market areas are already being added to our new business pipeline.

There have been benefits from the synergies with other group companies and the company's focus will continue to be on key sectors such as industrial, instrumentation, transportation, medical, renewable energy, high-end communications, aerospace and defence. The directors are satisfied that the benefits of the ongoing investments and the restructuring actions mean that the company is well placed as these markets return to growth.

PARAGON ELECTRONIC COMPONENTS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2010

The results for the year are set out in detail on page 6

Results and dividends

The profit for the year, after taxation, amounted to £108,264 (2009 £190,742)

The directors do not recommend the payment of a final dividend (2009 £NIL)

Directors

The directors who served during the year were

S J Dabson
C M Johnson
P Keane
J G Mayes
G C Smith
M D C Stuart

Political and charitable contributions

The company made no political contributions during the year (2009 £NIL) The company made £2,674 of charitable donations (2009 £NIL)

Principal risks and uncertainties

The Directors constantly review the risks and uncertainties that face the business, key examples being the loss of a major customer and the failure of a major supplier. The company reduces these risks by endeavouring to ensure that no customer represents more than 15% of turnover and ensuring multiple sourcing from suppliers wherever possible. The company has continued to expand in a controlled manner during the year.

The company has continued to invest significantly in information technology, including its business management software, to streamline and manage the increasingly complicated 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.

Key performance indicators

Given the straight forward nature of the business, the company's directors' are of the opinion that an analysis using KPI's is not necessary for an understanding of the performance, development and position of the company.

Supplier payment policy

It is the company's payment policy to negotiate terms with its suppliers in all sectors and to ensure 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 accordingly the company has signed up to the code of practice drawn by the Better Payment Practice Group.

PARAGON ELECTRONIC COMPONENTS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2010

Provision of information to auditors

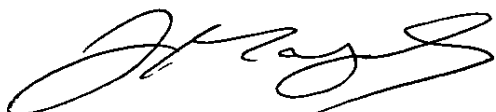
Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

Auditors

Under section 487(2) of the Companies Act 2006, Mazars LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier

This report was approved by the board and signed on its behalf



J G Mayes
Director

Date 31 March 2011

PARAGON ELECTRONIC COMPONENTS PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARAGON ELECTRONIC COMPONENTS PLC

We have audited the financial statements of Paragon Electronic Components PLC for the year ended 30 September 2010, which comprise the profit and loss account, the balance sheet 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).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 1, 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 (APB'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 auditors' 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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2010 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

PARAGON ELECTRONIC COMPONENTS PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARAGON ELECTRONIC COMPONENTS PLC

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



Mazars LLP, Chartered Accountants (Statutory Auditors)

Stephen Eames (Senior statutory auditor)

The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

31 March 2011

PARAGON ELECTRONIC COMPONENTS PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Note	2010 £	2009 £
Turnover	1,2	15,119,036	15,366,939
Cost of sales		(11,925,711)	(12,133,501)
		<hr/>	<hr/>
Gross profit		3,193,325	3,233,438
Administrative expenses		(3,125,553)	(3,027,507)
Other operating income	3	96,000	96,000
		<hr/>	<hr/>
Operating profit	4	163,772	301,931
Interest receivable and similar income	7	61	220
Interest payable and similar charges	8	(13,753)	(17,058)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		150,080	285,093
Tax on profit on ordinary activities	9	(41,816)	(94,351)
		<hr/>	<hr/>
Profit for the financial year		<u>108,264</u>	<u>190,742</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the profit and loss account

The notes on pages 8 to 20 form part of these financial statements

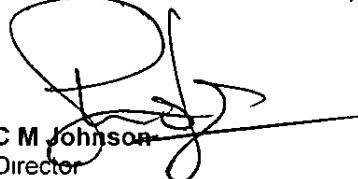
PARAGON ELECTRONIC COMPONENTS PLC

Registered number 2590508

BALANCE SHEET AS AT 30 SEPTEMBER 2010

	Note	£	2010 £	£	2009 £
Fixed assets					
Tangible assets	10		349,578		229,681
Current assets					
Stocks	11	2,219,939		1,980,703	
Debtors	12	3,725,122		4,030,613	
Cash at bank		92,364		277,788	
			<u>6,037,425</u>	<u>6,289,104</u>	
Creditors amounts falling due within one year	13	(3,602,136)		(3,772,654)	
Net current assets			<u>2,435,289</u>		<u>2,516,450</u>
Total assets less current liabilities			<u>2,784,867</u>		<u>2,746,131</u>
Creditors amounts falling due after more than one year	14		(97,829)		(67,357)
Net assets			<u><u>2,687,038</u></u>		<u><u>2,678,774</u></u>
Capital and reserves					
Called up share capital	16		51,002		51,002
Share premium account	17		19,000		19,000
Profit and loss account	17		<u>2,617,036</u>		<u>2,608,772</u>
Shareholders' funds	18		<u><u>2,687,038</u></u>		<u><u>2,678,774</u></u>

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


C M Johnson
Director

Date 31 March 2011

The notes on pages 8 to 20 form part of these financial statements

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group. The consolidated accounts of which the company forms a part are those of the group headed by Paragon Electronics Limited, the ultimate parent company of Paragon Electronic Components PLC. Paragon Electronics Limited is a company incorporated in England and Wales.

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Going concern

The company's business activities, together with factors likely to impact its future development, performance and position are set out in the business review on page 1.

The company has considerable financial resources, together with well established relationships with a number of customers and suppliers. As a consequence, the directors believe that the company is well placed to manage its business risk successfully despite the current uncertain economic outlook.

The directors have reasonable expectation that the company has adequate resources to continue in a operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Motor vehicles	-	25% straight line
Fixtures & fittings	-	15% straight line
Office equipment	-	15% straight line
Computer equipment	-	25 to 33% straight line

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

1 Accounting policies (continued)

1.6 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.7 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value.

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.10 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.11 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund.

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

1. Accounting policies (continued)

1.12 Employee share schemes

There is a share option scheme which allows certain senior management employees of the company to acquire shares in the parent company

An expense is recognised in the profit and loss account over the vesting period on all share-based payment schemes granted after 7 November 2002, with a corresponding increase in equity. Awards made before this date are not accounted for under FRS 20. For awards made after 7 November 2002 the expense in the profit and loss account is based on the fair value to the employee of the option granted, calculated using an option pricing model.

2 Turnover

A geographical analysis of turnover is as follows

	2010 £	2009 £
United Kingdom	14,902,142	15,209,878
USA	36,094	6,425
Rest of world	180,800	150,636
	<u>15,119,036</u>	<u>15,366,939</u>

3 Other operating income

	2010 £	2009 £
Management income	<u>96,000</u>	<u>96,000</u>

4 Operating profit

The operating profit is stated after charging/(crediting)

	2010 £	2009 £
Depreciation of tangible fixed assets		
- owned by the company	46,208	60,920
- held under finance leases	60,211	60,843
Auditors' remuneration	10,500	13,550
Auditors' remuneration - non-audit	3,000	2,560
Operating lease rentals		
- other operating leases	110,000	110,000
Difference on foreign exchange	2,732	(34,304)
Profit/loss on sale of tangible assets	<u>(30,820)</u>	<u>15,000</u>

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

5 Staff costs

Staff costs, including directors' remuneration, were as follows

	2010 £	2009 £
Wages and salaries	1,862,378	1,685,592
Social security costs	195,168	179,138
Other pension costs	69,007	67,644
	<u>2,126,553</u>	<u>1,932,374</u>

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

	2010 No.	2009 No.
Distribution	51	51
Administration	15	13
	<u>66</u>	<u>64</u>

6. Directors' remuneration

	2010 £	2009 £
Emoluments	<u>412,903</u>	<u>519,106</u>
Company pension contributions to defined contribution pension schemes	<u>18,729</u>	<u>33,764</u>

During the year retirement benefits were accruing to 4 directors (2009 - 4) in respect of defined contribution pension schemes

The highest paid director received remuneration of £148,570 (2009 - £170,893) and company pension contributions of £5,500 (2009 - £7,024) were made to a money purchase scheme on his behalf

7. Interest receivable

	2010 £	2009 £
Bank interest receivable	<u>61</u>	<u>220</u>

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

8. Interest payable

	2010 £	2009 £
On bank loans and overdrafts	318	2,919
On other loans	6,040	6,640
On finance leases and hire purchase contracts	7,395	7,499
	<u>13,753</u>	<u>17,058</u>

9. Taxation

	2010 £	2009 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	10,669	81,085
Adjustments in respect of prior periods	-	9,213
Total current tax	<u>10,669</u>	<u>90,298</u>
Deferred tax (see note 15)		
Movement in the year	31,147	4,053
Tax on profit on ordinary activities	<u>41,816</u>	<u>94,351</u>

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2009 - higher than) the standard rate of corporation tax in the UK of 28% (2009 - 28%) The differences are explained below

	2010 £	2009 £
Profit on ordinary activities before tax	150,080	285,093
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	42,022	79,826
Effects of		
Non-tax deductible amortisation of goodwill and impairment	-	1,583
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3,006	-
Capital allowances for year in excess of depreciation	(20,417)	(2,061)
Standard timing differences	-	1,737
Other fixed asset differences, adjustments and movements	(8,630)	-
Tax adjustments and other timing differences	(1,776)	-
Adjustments to tax charge in respect of prior periods	-	9,213
Marginal relief	(3,490)	-
Other item - user input	(46)	-
Current tax charge for the year (see note above)	10,669	90,298

10 Tangible fixed assets

	Office equipment £	Motor vehicles £	Fixtures & fittings £	Computer equipment £
Cost				
At 1 October 2009	132,367	408,431	303,350	291,153
Additions	63,715	120,171	-	51,479
Disposals	(9,281)	(157,303)	-	-
At 30 September 2010	186,801	371,299	303,350	342,632
Depreciation				
At 1 October 2009	112,029	263,216	276,804	253,571
Charge for the year	68,353	5,778	6,178	26,110
On disposals	(232)	(157,303)	-	-
At 30 September 2010	180,150	111,691	282,982	279,681
Net book value				
At 30 September 2010	6,651	259,608	20,368	62,951
At 30 September 2009	20,338	145,215	26,546	37,582

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

10 Tangible fixed assets (continued)

	Total £
Cost	
At 1 October 2009	1,135,301
Additions	235,365
Disposals	(166,584)
At 30 September 2010	<u>1,204,082</u>
Depreciation	
At 1 October 2009	905,620
Charge for the year	106,419
On disposals	(157,535)
At 30 September 2010	<u>854,504</u>
Net book value	
At 30 September 2010	<u>349,578</u>
At 30 September 2009	<u>229,681</u>

Included in the total net book value of tangible fixed assets is £203,008 (2009 £145,215) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on such assets was £60,211 (2009 £60,843).

11 Stocks

	2010 £	2009 £
Finished goods and goods for resale	<u>2,219,939</u>	<u>1,980,703</u>

12. Debtors

	2010 £	2009 £
Trade debtors	2,145,231	1,739,548
Amounts owed by group undertakings	1,504,806	2,160,256
Corporation tax	-	14,915
Other debtors and prepayments	67,914	77,576
Deferred tax asset (see note 15)	7,171	38,318
	<u>3,725,122</u>	<u>4,030,613</u>

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

13 Creditors Amounts falling due within one year

	2010 £	2009 £
Bank loans and overdrafts	75,598	356,315
Net obligations under finance leases and hire purchase contracts	102,661	72,394
Trade creditors	2,736,873	2,195,195
Amounts owed to group undertakings	198,177	639,433
Corporation tax	10,991	-
Social security and other taxes	261,985	218,813
Other loans	87,000	87,000
Other creditors	33,459	31,172
Accruals and deferred income	95,392	172,332
	<u>3,602,136</u>	<u>3,772,654</u>

The bank overdraft is secured by a fixed and floating charge over all of the company's assets

14 Creditors Amounts falling due after more than one year

	2010 £	2009 £
Net obligations under finance leases and hire purchase contracts	<u>97,829</u>	<u>67,357</u>

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	2010 £	2009 £
Between one and five years	<u>97,829</u>	<u>67,357</u>

15 Deferred tax asset

	2010 £	2009 £
At beginning of year	38,318	42,371
Charged for year	(31,147)	(4,053)
At end of year	<u>7,171</u>	<u>38,318</u>

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

15. Deferred tax asset (continued)

The deferred tax asset is made up as follows

	2010 £	2009 £
Differences between accumulated depreciation and capital allowances	5,462	34,832
Other short term timing differences	1,709	3,486
	<u>7,171</u>	<u>38,318</u>

16. Share capital

	2010 £	2009 £
Authorised		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
51,002 Ordinary shares of £1 each	<u>51,002</u>	<u>51,002</u>

17. Reserves

	Share premium account £	Profit and loss account £
At 1 October 2009	19,000	2,608,772
Profit for the year		108,264
Dividends Equity capital		(100,000)
At 30 September 2010	<u>19,000</u>	<u>2,617,036</u>

18. Reconciliation of movement in shareholders' funds

	2010 £	2009 £
Opening shareholders' funds	2,678,774	2,488,032
Profit for the year	108,264	190,742
Dividends (Note 19)	(100,000)	-
Closing shareholders' funds	<u>2,687,038</u>	<u>2,678,774</u>

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

19 Dividends

	2010 £	2009 £
Dividends paid on equity capital	100,000	-

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

20 Pension commitments

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £69,007 (2009 £67,644). There were outstanding contributions at the year end amounting to £12,599 (2009 £12,449).

21. Operating lease commitments

At 30 September 2010 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2010	2009
	£	£
Expiry date		
Between 2 and 5 years	110,000	110,000

The company operates from freehold premises which are leased from the company's self administered pension scheme under a 15 year agreement which terminates on 25 July 2013.

22. Share based payments

The terms and conditions of grants in the parent company are as follows, whereby all options are settled by physical delivery of shares.

Grant date/ employee entitled/ nature of scheme	Number of instruments	Vesting conditions	Contractual life of options
Equity-settled award to 1 employee granted by the company on 17 November 2003	2,571	See below	17 November 2013
Equity-settled award to 1 employee granted by the company on 17 November 2003	1,543	See below	17 November 2013
Equity-settled award to 1 employee granted by the company on 17 November 2003	2,571	See below	17 November 2013
Equity-settled award to 1 employee granted by the company on 17 November 2003	771	See below	17 November 2013

Beneficiaries are entitled to exercise their share options between 5 and 10 years after the grant date.

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

The number and weighted average exercise prices of share options are as follows

	2010 Weighted average exercise price £	2010 Number of options £
At the beginning of the period	19.41	10,203
Granted during the period	-	-
At the end of the period	19.41	10,203
Exercisable at the end of the period	19.41	10,203

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black Scholes model

	2010
Fair value at measurement date	£1.00
Weighted average share price	£19.41
Exercise price	£19.41
Expected volatility	10%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	5 yr
Expected dividend	-
Risk free interest rate (based on national government bonds)	7.2%

The expected volatility is wholly based on the historic volatility calculated based on the weighted average remaining life of the share options, adjusted for any expected changes to future volatility due to publicly available information

The total expense recognised for the period arising from share based payments are as follows

	2010 £	2009 £
Equity settled share based payments	-	7,078
Total carrying amount of liabilities	40,992	40,992

PARAGON ELECTRONIC COMPONENTS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

23 Related party transactions

As the company is a wholly owned subsidiary of Paragon Electronics Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group

The company has a loan from the company's self administered pension scheme. The balance outstanding at the year end was £87,000 (2009 £87,000). The company is charged interest on this loan at a rate of 3% per annum over base rate, this amounted £3,072 (2009 £3,839) for the year.

The company operates from freehold premises which are leased from the group's self administered pension scheme under a 15 year agreement which terminates on 25 July 2013. The current annual rent paid to the scheme is £110,000 (2009 £110,000).

24 Ultimate parent undertaking and controlling party

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

The directors C M Johnson and J G Mayes each own 50% of the share capital of Paragon Electronics Limited and are considered to be the ultimate controlling parties.

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 include the results of the company.