

Registered Number: 01507861

**Memec Europe Limited
Annual report
for the year ended 31 December 2004**



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Memec Europe Limited

Annual report for the year ended 31 December 2004

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Directors' report for the year ended 31 December 2004

The directors present their report and the audited financial statements of the company for the year ended 31 December 2004.

Principal activities, business review and future developments

The principal activity of the company during the year was to act as a trading, management and intermediate holding company for its subsidiaries whose principal activities are the marketing and distribution of advanced semiconductor products.

The directors consider the trading results for the period, and the company's financial position at the end of the period, to be satisfactory and are shown in the attached financial statements. Trading is expected to continue at similar levels in the coming year.

The directors consider the US dollar to be the functional currency of the company and therefore the financial statements have been presented in that currency. Details of exchange rates are given in note 1 to the financial statements.

Post balance sheet event

On 26 April 2005, Memec Group Holdings Limited, the ultimate holding company, entered into a definitive agreement whereby Memec Group Holdings Limited would be acquired by Avnet Inc. This agreement is subject to regulatory approval.

Results and dividends

The company's profit for the financial year was \$1,712,000 (2003: \$48,000) which will be transferred to reserves.

The directors have not paid an interim dividend (2003: \$0.016 per share totalling \$455,000) and do not recommend the payment of a final dividend (2003: \$Nil).

Directors and their interests

The directors who held office during the year and up to the date of signing are given below:

| | |
|---------------|-----------------------------|
| D M Ashworth | (resigned 13 May 2004) |
| K Elshuber | (resigned 13 May 2004) |
| C Keller | (resigned 8 April 2005) |
| E P Krawitt | (appointed 1 December 2004) |
| C D Page | |
| C R Stevens | (resigned 29 November 2004) |
| R B Stevenson | |
| W H Walker | |

E P Krawitt and R B Stevenson are also directors of Memec Group Limited, and their interests in the shares of the company and other group companies are disclosed in the financial statements of that company.

Directors' report for the year ended 31 December 2004 (continued)**Directors and their interests (continued)**

The interests of other directors who held office at the end of the financial year in the shares of the ultimate parent company, Memec Group Holdings Limited, are shown below:

| | 2004 Number | 2003 Number |
|--|----------------|----------------|
| 'A' ordinary shares of \$0.20 each: | | |
| C Keller | 111,836 | 111,836 |
| C D Page | 400,745 | 400,745 |
| W H Walker | 223,672 | 223,672 |
| Deferred ordinary shares of \$0.001 each: | | |
| C Keller | - | 134,203 |
| C D Page | - | 480,494 |
| W H Walker | - | 268,406 |
| Deferred shares of \$0.001 each: | | |
| C Keller | - | 1,642,597 |
| C D Page | - | 5,886,106 |
| W H Walker | - | 3,285,194 |

No director holds shares in the company and no other director, whose holding is required to be disclosed in this report, holds shares or debentures in other companies in the group.

Details of options in Memec Group Holdings Limited held by the directors are set out below:

| Date of grant | Expiry date | Exercise price | Number at 31 December 2003 | Granted in year | Number at 31 December 2004 |
|------------------|------------------|----------------|----------------------------|-----------------|----------------------------|
| C Keller | | | | | |
| 21 August 2001 | 21 August 2011 | \$3.00 | 48,000 | - | 48,000 |
| 12 December 2002 | 12 December 2012 | \$3.00 | 22,000 | - | 22,000 |
| 10 December 2003 | 10 December 2013 | \$2.27 | 9,742 | - | 9,742 |
| | | | 79,742 | - | 79,742 |
| C D Page | | | | | |
| 10 December 2003 | 10 December 2013 | \$2.27 | 9,742 | - | 9,742 |
| | | | 9,742 | - | 9,742 |

For options issued prior to 8 December 2003, 50% of the options vest on the date of floatation and 50% on the first anniversary of the float. Options issued after 8 December 2003 vest 33% on the date of floatation, 33% on the first anniversary of the float and 34% on the second anniversary of the float.

All options are in respect of "C" Ordinary shares of \$0.20.

No other director, whose holding is required to be disclosed in this report, has been granted share options in the shares of the company or other group entities.

Directors' report for the year ended 31 December 2004 (continued)

Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Auditors

Following the takeover, PricewaterhouseCoopers LLP will not offer themselves for reappointment as auditors to the company, and a resolution to appoint group auditors KPMG LLP be proposed at the next annual general meeting.

By order of the Board

A handwritten signature in black ink, appearing to be 'R B Stevenson', written over a horizontal line.

R B Stevenson
Company Secretary

1 July 2005

Independent auditors' report to the members of Memec Europe Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

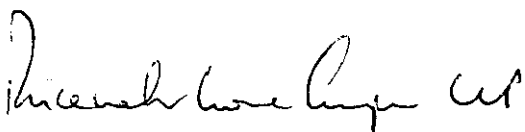
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
West London
1 July 2005

**Profit and loss account
for the year ended 31 December 2004**

| | Notes | 2004 \$'000 | 2003 \$'000 |
|---|-------|----------------|----------------|
| Turnover | 2 | 463,747 | 365,632 |
| Cost of sales | | (441,319) | (344,771) |
| Gross profit | | 22,428 | 20,861 |
| Distribution costs | | (6,657) | (13,931) |
| Administration expenses | | (20,119) | (18,605) |
| Other operating income | | 12,639 | 12,986 |
| Operating profit | 3 | 8,291 | 1,311 |
| Income from shares in group undertakings | 6 | - | 2,556 |
| Interest receivable and similar income | | 28 | 199 |
| Amounts written off investments | | (2,793)- | (3,551) |
| Interest payable and similar charges | 7 | (1,418) | (1,228) |
| Profit/(loss) on ordinary activities before taxation | | 4,108 | (713) |
| Tax (charge)/credit on profit on ordinary activities | 8 | (2,396) | 761 |
| Profit for the financial year | | 1,712 | 48 |
| Dividends | 9 | - | (455) |
| Retained profit/(loss) for the financial year | 20 | 1,712 | (407) |

The company has no recognised gains or losses other than the profit/(loss) above and therefore no separate statement of the total recognised gains and losses has been presented.


There is no material difference between the profit/(loss) on ordinary activities before taxation and the retained result for the year stated above and their historical cost equivalents.

All of the activities of the company are derived entirely from continuing operations.

Balance sheet as at 31 December 2004

| | Notes | 2004 \$'000 | 2003 \$'000 |
|---|-------|-----------------|-----------------|
| Fixed assets | | | |
| Tangible assets | 10 | 1,464 | 1,705 |
| Investments | 11 | 20,585 | 20,585 |
| | | 22,049 | 22,290 |
| Current assets | | | |
| Stocks | 12 | 61,741 | 55,674 |
| Debtors | 13 | 43,672 | 39,593 |
| Cash at bank and in hand | | 203 | 277 |
| | | 105,616 | 95,544 |
| Creditors: Amounts falling due within one year | 14 | (70,666) | (62,547) |
| Net current assets | | 34,950 | 32,997 |
| Net assets | | 56,999 | 55,287 |
| Capital and reserves | | | |
| Called-up equity share capital | 18 | 4,518 | 4,518 |
| Share premium account | 19 | 19,847 | 19,847 |
| Capital reserve | 20 | 825 | 825 |
| Profit and loss account | 20 | 31,809 | 30,097 |
| Total equity shareholders' funds | 21 | 56,999 | 55,287 |

The financial statements on pages 5 to 17 were approved by the board of directors on 1 July 2005 and were signed on its behalf by:



R B Stevenson
Director

**Notes to the financial statements
for the year ended 31 December 2004**

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the UK. The principal accounting policies, which have been applied consistently throughout the year, are set out below:

Basis of accounting

The functional currency of the company is US dollars and accordingly the amounts in the financial statements are denominated in that currency. The balance sheet rates of exchange for the US dollar to UK Sterling were US\$1.929:£1 (2003: US\$1.783:£1).

Cash flow statement

The company is a wholly-owned subsidiary company of a group headed by Memec Group Holdings Limited, and is included in the consolidated accounts of that company, which are publicly available. Consequently, the company has taken advantage of the exemption within FRS1 "Cash flow statements (revised 1996)" from preparing a cash flow statement.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets, less their estimated residual value over their useful economic life as follows:

Plant, equipment and vehicles 15%-33%

Investments

Investments are held as fixed assets at cost plus any acquisition expenses less any amounts written off.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and represents the invoiced price from the supplier less supplier credits received net of VAT. Provision is made where necessary for slow moving or obsolete stock.

Finance lease agreements

Where the company enters into a lease that entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its useful economic life. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element that reduces the outstanding obligation for future instalments.

Finance leases include hire purchase contracts which have characteristics similar to finance leases

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis.

**Notes to the financial statements
for the year ended 31 December 2004 (continued)****Accounting policies (continued)****Pension costs**

The Memec group in the UK operates a defined contribution pension scheme for employees to which the company contributes. The assets of the scheme are held separately from those of the group in an independently administered fund. The annual contributions payable are charged to the profit and loss account as incurred and are disclosed in note 23.

Deferred taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

No provision is made to cover any further liability to taxation that would arise in respect of the distribution of profits retained by overseas subsidiary undertakings.

Foreign currencies

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

Turnover

Turnover represents the value of goods delivered and services provided during the year within the group's ordinary activities, net of value added tax. Turnover from product sales is recognised upon delivery to customer, provided that there are no uncertainties regarding acceptance, there is persuasive evidence of an arrangement, the sale price is fixed or determinable and collection of the related receivable is probable. When goods are shipped FOB destination point, revenue is not recognised upon shipment. In these cases, revenue is recognised when the risk transfers, which is upon delivery. Turnover is stated net of discounts and returns.

Group accounts

The directors have taken advantage of the exemptions under section 228(1)(a) of the Companies Act 1985, from preparing group accounts on the grounds that its ultimate parent undertaking, Memec Group Holdings Limited, prepares group accounts in which the company is included which are publicly available. Consequently these financial statements present information about the company as an individual undertaking.

Related party transactions

In accordance with the exemption stated in Financial Reporting Standard No 8 no details are shown of related party transactions with the company's parent and fellow subsidiaries in which the parent company holds 90% or more of the voting rights, and prepares publicly available financial statements.

Notes to the financial statements for the year ended 31 December 2004 (continued)

2 Turnover

The turnover, which excludes value added tax, which represents the provision of semi-conductor company products, and the loss before tax are attributable entirely to European countries.

3 Operating profit

| | 2004 \$'000 | 2003 \$'000 |
|--|----------------|----------------|
| Operating profit is stated after charging/(crediting): | | |
| Depreciation of tangible fixed assets | | |
| - owned assets | 957 | 1,077 |
| - leased assets | 189 | 1,141 |
| Auditors' remuneration | | |
| - audit | 100 | 100 |
| Operating lease costs: | | |
| - Plant and equipment | 193 | 247 |
| Foreign exchange gains | (430) | (715) |
| Redundancy and reorganisation | 67 | 2,494 |
| Management charges to subsidiaries | (12,639) | (12,986) |

4 Particulars of employees

The average monthly number of staff (including executive directors) employed by the company during the financial year amounted to:

| | 2004 Number | 2003 Number |
|----------------|----------------|----------------|
| Administration | 97 | 93 |
| Distribution | 57 | 55 |
| | 154 | 148 |

The aggregate payroll costs of the above were:

| | 2004 \$'000 | 2003 \$'000 |
|-----------------------|----------------|----------------|
| Wages and salaries | 12,097 | 8,733 |
| Social security costs | 1,481 | 1,033 |
| Other pension costs | 388 | 339 |
| | 13,966 | 10,105 |

**Notes to the financial statements
for the year ended 31 December 2004 (continued)**

5 Directors' emoluments

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

| | 2004 | 2003 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Aggregate emoluments | 2,187 | 1,932 |
| Value of company pension contributions to money purchase schemes | 177 | 63 |
| | 2,364 | 1,995 |

Company pension contributions have been made to money purchase schemes in respect of three (2003: three) directors.

Emoluments of highest paid director:

| | 2004 | 2003 |
|--|--------|--------|
| | \$'000 | \$'000 |
| Aggregate emoluments | 617 | 579 |
| Value of company pension contributions to money purchase schemes | 18 | 32 |

The emoluments of D Ashworth, E Krawitt, and C Stevens are paid by another group company and no recharge is made to this company.

D Ashworth is also a director of the parent company, and a number of fellow subsidiaries. His services to this company and to a number of fellow subsidiaries are of a non-executive nature, and his emoluments are deemed to be wholly attributable to his services to the parent company. Accordingly, the above details include no emoluments in respect of D Ashworth and his total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the parent company, Memec Group Holdings Limited.

E Krawitt and C Stevens (to 29 November 2004) are directors of Memec Group Limited and a number of fellow subsidiaries. Their services to this company, and to a number of fellow subsidiaries, are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to Memec Group Limited. Accordingly, the above details include no emoluments in respect of E Krawitt and C Stevens, and their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of Memec Group Limited.

No director exercised share options during the year.

6 Income from shares in group undertakings

| | 2004 | 2003 |
|-----------|--------|--------|
| | \$'000 | \$'000 |
| Dividends | - | 2,556 |

**Notes to the financial statements
for the year ended 31 December 2004 (continued)**

7 Interest payable and similar charges

| | 2004 | 2003 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Interest payable on finance leases | 34 | 84 |
| Other interest payable | 98 | - |
| Interest payable to group undertakings | 1,286 | 1,144 |
| | 1,418 | 1,228 |

8 Tax charge/(credit) on profit/(loss) on ordinary activities

In respect of the year:

| | 2004 | 2003 |
|---|--------------|----------------|
| | \$'000 | \$'000 |
| Current tax: | | |
| UK Corporation tax at 30% (2003: 30%) | 2,396 | 426 |
| (Over provision in respect of previous years) | - | (1,444) |
| Total current tax charge/(credit) | 2,396 | (1,018) |
| Deferred tax: | | |
| Capital allowances | - | (323) |
| Short term timing differences | - | 13 |
| Underprovision in respect of previous years | - | 567 |
| Total deferred tax charge | - | 257 |
| Total current tax charge/(credit) on profit/(loss) on ordinary activities | 2,396 | (761) |

The total current tax charge of \$2,396,000 (2003: credit \$1,018,000) relates to group relief surrendered from (2003: to) a fellow UK subsidiary company.

The tax assessed for the year is higher (2003: lower) than the UK corporation tax rate of 30% (2003: 30%). The differences are explained below:

| | 2004 | 2003 |
|---|--------------|----------------|
| | \$'000 | \$'000 |
| Profit/(loss) on ordinary activities before tax | 4,108 | (713) |
| Profit/(loss) on ordinary activities multiplied by standard rate in UK of 30% (2003: 30%) | 1,232 | (214) |
| Effect of: | | |
| Expenses not deductible for tax purposes | 874 | 1,097 |
| Income not taxable | - | (767) |
| Accelerated capital allowances and other timing differences | 290 | (310) |
| (Over) provision in respect of previous years | - | (1,444) |
| Total current tax (credit)/charge for the year | 2,396 | (1,018) |

**Notes to the financial statements
for the year ended 31 December 2004 (continued)**

9 Dividends

| | 2004 | 2003 |
|---------------------------------------|--------|---------|
| Equity | \$'000 | \$'000 |
| Interim paid: \$0.016 per £0.10 share | - | 455,000 |

10 Tangible fixed assets

| | Plant, equipment & vehicles \$'000 |
|---------------------------------|---|
| Cost | |
| At 1 January 2004 | 9,443 |
| Additions | 905 |
| Disposals | (541) |
| At 31 December 2004 | 9,807 |
| Accumulated depreciation | |
| At 1 January 2004 | 7,738 |
| Charge for the year | 1,146 |
| Disposals | (541) |
| At 31 December 2004 | 8,343 |
| Net book value | |
| At 31 December 2004 | 1,464 |
| At 31 December 2003 | 1,705 |

Finance lease agreements

Included within the net book value of \$1,464,000 is \$nil (2003: \$189,000) relating to assets held under finance lease agreements. Included within the depreciation charge for the year is \$189,000 (2003: \$1,141,000) in respect of these assets.

**Notes to the financial statements
for the year ended 31 December 2004 (continued)**

11 Investments

| | Shares in group undertakings \$'000 | Trade investments \$'000 | Total \$'000 |
|-----------------------|--|--------------------------------|-----------------|
| Cost | | | |
| At 1 January 2004 | 24,133 | 3 | 24,136 |
| Additions | 2,793 | - | 2,793 |
| At 31 December 2004 | 26,926 | 3 | 26,929 |
| Provision | | | |
| At 1 January 2004 | (3,551) | - | (3,551) |
| Charge in the year | (2,793) | - | (2,793) |
| At 31 December 2004 | (6,344) | | (6,344) |
| Net book value | | | |
| At 31 December 2004 | 20,582 | 3 | 20,585 |
| At 31 December 2003 | 20,582 | 3 | 20,585 |

Additions to investments comprise capital contributions to Memec Italia S.P.A. of \$2,270,000 and Memec Iberica SA of \$523,000.

Details of principal subsidiary undertakings are shown in note 22.

12 Stocks

| | 2004 \$'000 | 2003 \$'000 |
|------------------|----------------|----------------|
| Goods for resale | 61,741 | 55,674 |

There is no significant difference between replacement cost and the value disclosed.

13 Debtors

| | 2004 \$'000 | 2003 \$'000 |
|------------------------------------|----------------|----------------|
| Trade debtors | 119 | 22 |
| Amounts owed by group undertakings | 41,894 | 37,293 |
| Other debtors | 1,219 | 1,935 |
| Prepayments and accrued income | 440 | 343 |
| | 43,672 | 39,593 |

In 2003, amounts due from group undertakings included \$232,000 which was unsecured, repayable on demand and carried interest of LIBOR plus 2.875%. All other amounts due from group undertakings represent trade receivables on normal commercial terms.

**Notes to the financial statements
for the year ended 31 December 2004 (continued)**

14 Creditors: Amounts falling due within one year

| | 2004 | 2003 |
|-----------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Trade creditors | 38,677 | 35,933 |
| Amounts due to group undertakings | 24,547 | 20,597 |
| Corporation Tax | 2,396 | 3,098 |
| Finance leases (note 15) | - | 738 |
| Other taxes and social security | 660 | 513 |
| Other creditors | 1,954 | 983 |
| Accruals and deferred income | 2,432 | 685 |
| | 70,666 | 62,547 |

Amounts due to group undertakings includes \$14,896,000 (2003: \$8,669,000) which is unsecured, repayable on demand and carries interest of LIBOR plus 2.875%. The balance of \$3,400,000 (2003: \$11,928,000) represents trade payables on normal commercial terms

15 Commitments under finance lease agreements

Future commitments under finance lease agreements are as follows:

| | 2004 | 2003 |
|---|--------|--------|
| | \$'000 | \$'000 |
| Within one year | - | 763 |
| In more than one year, but not more than five years | - | - |
| Total gross payments | - | 763 |
| Less finance charges included above | - | (25) |
| | - | 738 |

16 Deferred tax asset

The amount unrecognised of the total potential deferred tax asset is as follows:

| | Amount unrecognised | |
|--|---------------------|--------------|
| | 2004 | 2003 |
| | £'000 | £'000 |
| Tax effect of timing differences because of: | | |
| Excess of capital allowances over depreciation | 1,579 | 1,292 |
| Net deferred tax asset | 1,579 | 1,292 |

The directors do not consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has not been recognised in these financial statements.

**Notes to the financial statements
for the year ended 31 December 2004 (continued)**
17 Commitments under operating leases

At 31 December 2004 the company has annual commitments under non-cancellable operating leases, other than land and buildings, as set out below.

| | 2003 \$'000 | 2003 \$'000 |
|--------------------------------|----------------|----------------|
| Operating leases which expire: | | |
| Within 1 year | 40 | 61 |
| Within 2 to 5 years | 44 | 24 |
| After more than 5 years | - | - |
| | 84 | 85 |

18 Share capital

Authorised share capital:

| | 2004 \$'000 | 2003 \$'000 |
|--|----------------|----------------|
| 40,000,000 ordinary shares of £0.10 each | 6,464 | 6,464 |

Allotted, called up and fully paid:

| | 2004 \$'000 | 2003 \$'000 |
|--|----------------|----------------|
| 27,960,450 ordinary shares of £0.10 each | 4,518 | 4,518 |

19 Share premium account

| | \$'000 |
|--|--------|
| At 1 January 2004 and 31 December 2004 | 19,847 |

20 Reserves

| | Profit and loss Account \$'000 | Capital reserve \$'000 | Total \$'000 |
|---|--------------------------------------|------------------------------|-----------------|
| At 1 January 2004 | 30,097 | 825 | 30,922 |
| Retained profit/(loss) for the financial year | 1,712 | - | 1,712 |
| At 31 December 2004 | 31,809 | 825 | 32,634 |

Notes to the financial statements for the year ended 31 December 2004 (continued)

21 Reconciliation of movements in equity shareholders' funds

| | 2004 \$'000 | 2003 \$'000 |
|------------------------------------|----------------|----------------|
| Profit for the financial year | 1,712 | 48 |
| Dividends | - | (455) |
| Opening equity shareholders' funds | 55,287 | 55,694 |
| Closing equity shareholders' funds | 56,999 | 55,287 |

22 Subsidiary undertakings

A list of principal subsidiary undertakings is given below.

| Subsidiary undertakings | Country of incorporation | Classification of capital | Proportion held by immediate parent company |
|-------------------------------------|-----------------------------|------------------------------|---|
| Component sales | | | |
| Memec Denmark AS | Denmark | Ordinary | 100% (1) |
| Memec Finland OY | Finland | Ordinary | 100% (1) |
| Memec Iberica SA | Spain | Ordinary | 100% |
| Memec Ireland Limited | Ireland | Ordinary | 100% (2) |
| Memec Italia S.P.A. | Italy | Ordinary | 100% |
| Memec Norway AS | Norway | Ordinary | 100% |
| Memec Sweden AB | Sweden | Ordinary | 100% |
| Memec UK Limited | Great Britain | Ordinary | 100% |
| VISTA Solutions EMEA Ltd | Great Britain | Ordinary | 100% |
| Warehousing and distribution | | | |
| Thame Properties Limited | Great Britain | Ordinary | 100% |

(1) = held indirectly via Memec Sweden AB

(2) = held indirectly via Memec Eire (Holdings) Limited

23 Pensions

The company made contributions at 6% of pensionable salaries to employees' private defined contributions pension schemes.

In the year, the company made contributions of \$ 388,000 (2003: \$339,000). There were no amounts outstanding at 31 December 2004 (2003: £Nil).

24 Ultimate parent undertaking and controlling party

The immediate parent undertaking of Memec Europe Limited is Memec Group Limited.

The ultimate parent undertaking and controlling party of Memec Europe Limited is Memec Group Holdings Limited. The consolidated financial statements of Memec Group Holdings Limited are deposited at Companies House. Copies of these financial statements are publicly available and can be obtained from 17 Thame Park Road, Thame, Oxfordshire, OX9 3XD.

**Notes to the financial statements
for the year ended 31 December 2004 (continued)**

25 Contingent liabilities

The company and certain other group companies have jointly guaranteed bank and other borrowings of the group. For the year ended 31 December 2004, borrowings of \$200,000,000 were subject to these guarantees (2003: \$nil).

There were no other contingent liabilities at 31 December 2004 (2003: \$nil).

26 Post balance sheet events

On 26 April 2005, Memec Group Holdings Limited, the ultimate holding company, entered into a definitive agreement whereby Memec Group Holdings Limited would be acquired by Avnet Inc. This agreement is subject to regulatory approval.