

Registered No 2582534

## Arrow Electronics (UK) Limited

### Report and Financial Statements

31 December 2010



**Directors**

P J Reilly  
P S Brown  
R Suonsilta

**Secretary**

F Kjellgren

**Auditors**

Ernst & Young LLP  
400 Capability Green  
Luton  
Bedfordshire  
LU1 3LU

**Bankers**

HSBC Bank Plc  
Poultry  
London  
EC2P 2BX

**Solicitors**

Herbert Smith  
Exchange House  
Primrose Street  
London  
EC2A 2HS

**Registered office**

London Road Campus  
London Road  
Harlow  
Essex  
CM17 9NA

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2010

### Results and dividends

The profit for the year amounted to £3,361,000 (2009 profit of £1,564,000) after exceptional costs of £534,000 (2009 exceptional costs of £586,000). The directors do not recommend the payment of any dividends.

### Principal activity

The principal activity of the company during the year continued to be the distribution of electronic, and electrical, equipment and accessories to industry.

### Review of the business

Turnover increased in 2010 from 2009 by 27% due to a general market recovery. Gross margin % was relatively consistent over 2009. As shown below, distribution and administration costs increased by 4.0% but decreased as a percentage of sales from 12.4% to 10.2%, mainly driven from the cost control in 2009 and the increase in sales in 2010.

During the last 12 to 18 months, Arrow Electronics, Inc. announced the acquisition of several companies and two of these companies will have an impact on the Arrow UK Group. In December 2010 Richardson RFPD UK Ltd was created as a new subsidiary of Arrow Electronics UK Ltd in order to transfer the acquired RFPD UK division of Richardson Electronics Ltd. Richardson will be operated and managed as a separate trading company and will have little day to day dealings with Arrow Electronics UK Ltd.

At the beginning of January 2011 Arrow Electronics, Inc. confirmed it had acquired the Nu Horizons group. Nu Horizons presence in the UK includes a Holding company, a trading company and a joint venture subsidiary. The joint venture will be transferred as a new joint venture subsidiary of Arrow Electronics UK Ltd and operated and managed separately. All other Nu Horizons companies will be integrated entirely within the Arrow Electronics UK Ltd existing company during 2011.

### Future developments

Trading conditions in the UK have recovered in 2010 from the prior year challenges and it is expected that this recovery will continue during 2011 although at a reduced rate. 2011 profitability should show further improvements as we see a further increase in sales and cost control, although there will be investment in the business to support the future growth.

### Directors

The directors who served the company during the year were as follows:

R Suonsilta  
P J Reilly  
P S Brown

None of the directors of the company had any disclosable interest in the shares of the company or any other UK group company at any time during the year.

### Key Performance Indicators (Figures in £'000)

Sales for the period were £152,026, an increase of 27.0% compared to prior year (2009 £119,730).  
Gross Profit before distribution and administration costs was £19,904 for the period (2009 £17,513).  
Distribution Costs were 7.9% of sales for 2010 at £12,074 compared to 11.2% for 2009.  
Administration Costs (continuing) were 2.2% of sales for 2010 at £3,372 compared to 1.2% for 2009.  
Operating Profit for the period was £3,924 compared to a profit of £2,085 for the prior year.  
Net Interest and Similar Expense for the period was £98 income (2009 £180 expense).  
Net Profit after taxation was £3,361 for the period compared to a net profit of £1,564 in 2009.

### Risks and uncertainties

**Competitive risks** – In the UK there are a range of companies in direct competition. Whilst the company is not immune to the threats from competitors, it is better placed than many to both resist these threats and

## Directors' report

to win business from existing and new customers. A number of factors give the company a competitive advantage, including the available franchises, service and support, competitive pricing and industry expertise.

**Legislative risks** – there are a number of legislative risks including the following. Pollution and chemical legislation on product content such as RoHS, country imposed restrictions for sales to certain industries, border controls enforcing delays to transactions and trade controls on product preventing or limiting sales. None of these risks are considered to have a potential major impact on the company and they are managed in the normal course of business.

**Financial instrument risks** - The company has an established risk and financial management framework where the primary objective is to protect the company from events that hinder the achievement of the company's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and to monitor the management of risk on an on-going basis.

**Use of derivatives** – The company uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates. This is done through a series of globally managed ongoing contracts.

### **Exposure to price, credit, liquidity and cashflow risk**

**Price risk** arises on financial instruments because of changes in, for example, commodity prices or equity prices. The company does not hold any equity investments.

**Credit risk** is the risk that one party to a financial instrument will cause a financial loss for another party, by failing to discharge an obligation. Company policies are aimed at minimising such losses, and require that open credit and deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the company's debtors are shown in note 12 to the financial statements.

**Liquidity risk** is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operating activities, managing available cash appropriately and applying cash targets where relevant.

**Cashflow risk** is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, such as future interest payments on a variable rate debt. The company manages this risk by the use of the activities listed above, including derivatives and liquidity risk management which are coordinated by other group companies.

## **Disabled employees**

It is the company's policy that disabled persons are treated fairly and consistently in terms of recruitment, training, career development and promotion and that their employment opportunities should be based on a realistic assessment of their aptitudes and abilities.

Wherever possible the company will continue the employment of persons who become disabled during the course of their employment with the company through retraining, acquisition of special aids and equipment or the provision of suitable alternative employment.

## **Employee involvement**

The company believes that to achieve excellent customer service its employees should be well informed about company plans and performance and have the opportunity to discuss their performance regularly with their manager.

Therefore the company is committed to providing all its employees with information on a regular basis and to encouraging their participation in schemes where they will benefit from the company's progress and profitability. In addition, it is intended that all employees discuss their individual performance with their managers at least on an annual basis with the objective of identifying how their performance can be improved.

## **Donations**

During the year, the company made charitable donations totalling £1,150 (2009 £250).

## Directors' report

### Creditor payment policy

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with

At 31 December 2010 the company had an average of 30 days (2009 31 days) purchases outstanding in trade creditors

### Going Concern

The activities of the company, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposure to price, credit, liquidity and cashflow risk are described in the business review on pages 2 to 4

The company is a subsidiary of a large global corporation, and both individually and as part of the global group it has significant long term trading relationships with a number of customers and suppliers across different geographic areas and technologies. The company has significant cash and financial resources both as a company within a UK group of companies, and as part of a global corporation. As a consequence, the directors believe that the company is well placed to manage its business risk successfully

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

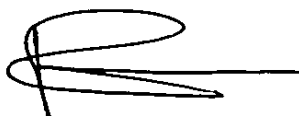
### Directors' statement as to disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is unaware of that information

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

By order of the board



F Kjellgren  
Secretary

14 July 2011

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

## **Independent auditors' report**

### **to the members of Arrow Electronics (UK) Limited**

We have audited the financial statements of Arrow Electronics (UK) Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 22. 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).

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.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 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 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.

## **Independent auditors' report**

**to the members of Arrow Electronics (UK) Limited**

### **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

*Ernst & Young LLP*

Juliet Thomas (senior statutory auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
Luton

18/7/11



## Profit and loss account

for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
<b>Turnover</b>	2	152,026	119,730
Cost of sales		<u>132,122</u>	<u>102,217</u>
<b>Gross profit</b>		19,904	17,513
Distribution costs		12,074	13,433
Administrative expenses			
Continuing		3,372	1,409
Exceptional	4	<u>534</u>	<u>586</u>
Total administrative expenses		3,906	1,995
<b>Operating profit</b>	3	<u>3,924</u>	<u>2,085</u>
Interest receivable and similar income	8	268	315
Interest payable and similar charges	9	<u>(170)</u>	<u>(495)</u>
		98	(180)
<b>Profit on ordinary activities before taxation</b>		4,022	1,905
Tax on profit on ordinary activities	10	<u>(661)</u>	<u>(341)</u>
<b>Profit for the financial year</b>	20	<u>3,361</u>	<u>1,564</u>

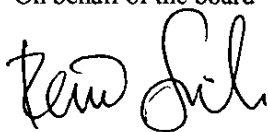
There are no recognised gains and losses for the current or prior year other than the profit (2009 profit) for the year which is derived from continuing activities

## Balance sheet

at 31 December 2010

	Notes	2010 £000	2009 £000
<b>Fixed assets</b>			
Tangible assets	11	1,967	2,045
<b>Current assets</b>			
Inventory		209	-
Debtors	12	87,492	74,611
Cash at bank		79,057	42,401
		166,758	117,012
<b>Creditors: amounts falling due within one year</b>	13	102,898	56,751
<b>Net current assets</b>		63,860	60,261
<b>Total assets less current liabilities</b>		65,827	62,306
<b>Creditors: amounts falling due after more than one year</b>	14	36,586	36,586
<b>Provisions for liabilities and charges</b>	16	950	1,365
		28,291	24,355
<b>Capital and reserves</b>			
Called up share capital	19	5,500	5,500
Share premium account	20	16,500	16,500
Profit and loss account	20	4,187	826
Equity reserve	20	2,104	1,529
<b>Equity shareholders' funds</b>	20	28,291	24,355

On behalf of the board



R Suonsilta  
Director

14 JULY 2011

## Notes to the financial statements

at 31 December 2010

### 1. Accounting policies

#### *Basis of preparation*

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

The accounting reference date of the company is 31 December and accounts are drawn up to a Friday within seven days of that date

#### *Cash flow statement*

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is a wholly owned subsidiary of Arrow Electronics Inc, and the operating cash flows of the company are included in the consolidated cash flow statement of Arrow Electronics Inc

#### *Related party transactions*

The company is a wholly owned subsidiary of Arrow Electronics UK Holding Limited. The ultimate parent company is Arrow Electronics Inc, which is incorporated in the USA and the consolidated accounts of which are publicly available

Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties of the Arrow Electronics group

#### *Fixed assets*

All fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows

Freehold property	- 20 years
Short leasehold improvements	- the shorter of 20 years or the life of the lease
Equipment and motor vehicles	- 2 to 15 years

The carrying values of tangible fixed assets are reviewed for impairment in periods when events or changes in circumstances indicate the carrying value may not be recoverable

#### *Provisions*

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Where material, provisions are discounted using an appropriate rate

#### *Revenue recognition*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods

### 1. Accounting policies (continued)

#### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception

- Deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

## Notes to the financial statements

at 31 December 2010

### **Share based payments**

Arrow Electronics Inc maintains the group 2004 Omnibus Incentive Plan, which replaced all prior employee stock plans. The plan permits the grant of cash-based awards, non qualified stock options, incentive stock options, stock appreciation rights, restricted stock units, performance shares, performance units, covered employee annual incentive awards and other stock-based awards. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by means of Black-Scholes option pricing model. No expense is recognised for awards that do not ultimately vest.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired. The movement in cumulative expenses since the previous balance sheet date is recognised in the profit and loss account with a corresponding entry in equity.

The company has taken advantage of the transitional provisions of FRS20 in respect of equity-settled awards so as to apply FRS20 only to those equity-settled awards granted after November 2002 that had not vested before 1 January 2006.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction, or at the contracted rate if the transaction is covered by a forward currency contract.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward currency rate.

All differences are taken to the profit and loss account.

### **Operating lease agreements**

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

### **Pension costs**

The company operates a group personal pension plan to which the company contributes. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the plan.

## Notes to the financial statements

at 31 December 2010

### 2. Turnover

Turnover represents sales invoiced to customers, net of discounts, excluding value added tax. Turnover is attributable to one continuing activity, the distribution of electronic and electrical equipment and accessories to industry.

An analysis of turnover by geographical market is not given, as the directors believe it would be seriously prejudicial to the interests of the company.

### 3. Operating profit

This is stated after charging/(crediting)

	2010 £000	2009 £000
Auditors' remuneration – audit services	40	35
Loss / (Gain) on Foreign Exchange	570	(1,436)
Depreciation of owned fixed assets	306	513
Operating lease rentals - land and buildings	496	663
- plant and machinery	379	471
Share based payments	575	382

### 4. Exceptional items

	2010 £000	2009 £000
Recognised in arriving at operating profit		
Reorganisation Costs	534	586
	<u>534</u>	<u>586</u>

#### 2010

In December 2010 we commenced subletting the unutilised portion of the Bedford site. As a result of amended terms, the remaining provision relating to the onerous lease contract for the Bedford site was reversed and a new provision was booked. The new provision was due to the subtenant receiving an 11 month rent free period along with additional costs relating to the sublease. Also included in the above charge are releases of provisions no longer required for the closed properties Scotland, Crawley, Leicester and Southampton, along with some redundancy costs.

#### 2009

The Reorganisation Costs in 2009 include redundancy costs from certain parts of the business. They also include a provision in respect of Onerous Lease Contracts for the two further closed properties, Dublin and Scotland. Before the filing of the 2009 accounts it was known that the unutilised portion of the Bedford office was to be sublet. Therefore reorganisation costs were reduced to take account of the future rental income which will offset the lease costs.

## Notes to the financial statements

at 31 December 2010

### 5. Staff costs

	2010 £000	2009 £000
Wages and salaries	13,547	12,617
Social security costs	1,609	1,222
Other pension costs (note 15)	552	555
	<u>15,708</u>	<u>14,394</u>

The monthly average number of employees in the UK during the year was as follows

	2010 No	2009 No
Directors	-	-
Staff	293	296
	<u>296</u>	<u>296</u>

### 6. Directors' emoluments

	2010 £000	2009 £000
Emoluments	-	63
Value of company pension contributions to pension plans	-	3
	<u>-</u>	<u>3</u>
	2010 No	2009 No
Number of directors who exercised share options	-	-
Number of directors who were members of pension plans	-	-
	<u>-</u>	<u>-</u>

The amounts in respect of the highest paid director are as follows

	2010 £000	2009 £000
Emoluments	-	63
Value of company pension contributions to pension plan	-	3
	<u>-</u>	<u>3</u>

Certain directors' emoluments are borne by fellow Arrow Electronics Inc group companies as these directors are also directors or officers of a number of companies within the group. These directors' services to the company do not occupy a significant amount of their time. As such, these directors do not consider that they have received any remuneration for their incidental services to the company.

## Notes to the financial statements

at 31 December 2010

### 7. Share based payments

#### 2004 Omnibus Incentive Plan Awards

Arrow Electronics Inc maintains the group 2004 Omnibus Incentive Plan, which replaced all prior employee stock plans. The plan permits the grant of cash-based awards, non qualified stock options, incentive stock options, stock appreciation rights, restricted stock units, performance shares, performance units, covered employee annual incentive awards and other stock-based awards. The exercise price for options cannot be less than the fair market value of Arrow's common stock on the date of grant.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movement in, the group 2004 omnibus incentive plan share options during the year

	2010 No	2010 WAEP	2009 No	2009 WAEP
Outstanding as at 1 January	56,563	\$30.37	84,978	\$27.55
Granted during the year	33,752	\$28.65	12,215	\$16.82
Exercised during the year	(25,054)	\$27.61	(5,875)	\$23.67
Forfeited/expired during the year	-	-	(34,755)	\$34.47
Outstanding at 31 December	65,261	\$29.91	56,563	\$30.37
Exercisable at 31 December	34,122		40,870	

The range of exercise prices for options outstanding at year end was \$13.85 to \$38.29 (2009: \$13.85 to \$38.29)

#### Performance Share Awards

The ultimate parent company has granted a specific number of performance shares to certain key members of management. The employees are able to earn between 0% and 200% of these shares based on the company's financial performance over a 3 year cycle beginning in the January of the year of the award. Performance shares are awarded at the conclusion of the performance period.

The following table illustrates the number and weighted average fair value at the measurement date (WAFV) of, and movement in, the performance share awards during the year

	2010 No	2010 WAEP	2009 No	2009 WAEP
Outstanding as at 1 January	36,266	\$18.11	18,038	\$32.93
Granted during the year	23,230	\$28.34	42,981	\$16.82
Exercised during the year	(1,085)	\$29.72	(14,384)	\$20.22
Forfeited during the year	(418)	\$25.53	(10,369)	\$24.79
Outstanding at 31 December	57,993	\$21.53	36,266	\$18.11

The directors consider that the fair value of performance shares equates to the market price of shares in the ultimate parent company on the date of the award.

#### Restricted Share Awards

During the year, the ultimate parent company has granted a specific number of restricted stock units to certain key members of management to incentivise them to remain with the Group. These units vest over a four year period in four equal tranches on the anniversary of the award date. On vesting, each unit is settled by delivery of one share of Common Stock.

## Notes to the financial statements

at 31 December 2010

### 7. Share based payments (continued)

The following table illustrates the number and weighted average fair value at the measurement date (WAFV) of, and movement in, the performance share awards during the year

	2010 No	2010 WAFV	2009 No	2009 WAFV
Outstanding as at 1 January	18,055	\$20 03	10,730	\$32 61
Granted during the year	16,353	\$28 34	18,588	\$16 82
Exercised during the year	(513)	\$18 97	(8,608)	\$24 91
Forfeited during the year	(223)	\$16 82	(2,655)	\$32 61
Outstanding at 31 December	33,672	\$23 82	18,055	\$20 03

The directors consider that the fair value of restricted stock units equates to the market price of shares in the ultimate parent company on the date of the award

The expense as calculated in accordance with FRS20 is set out in note 3

The fair value of share options granted were determined using the Black-Scholes option pricing model  
The following principal assumptions were used in the valuation

	2010	2009
Share price at date of grant	\$28 34	\$16 82
Risk free interest rate	2 40%	2 13%
Expected life (in years)	5 19	5 95
Expected volatility	36 74%	35 38%
Expected dividend yield	—	—

Volatility is measured using historical daily price changes of the company's common stock over the expected term of the option

The expected term represents the weighted average period the option is expected to be outstanding and is based primarily on the historical exercise behaviour of employees

The risk-free interest rate is based on the U S Treasury zero-coupon yield with a maturity that approximates the expected term of the option

### 8. Interest receivable and similar items

	2010 £000	2009 £000
Bank interest receivable	268	315
	<u>268</u>	<u>315</u>

### 9. Interest payable and similar charges

	2010 £000	2009 £000
Bank interest payable	101	132
Other interest payable	69	363
	<u>170</u>	<u>495</u>



## Notes to the financial statements

at 31 December 2010

### 10. Tax

#### (a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2010 £000	2009 £000
<i>Current tax</i>		
UK corporation tax	554	-
Total current tax (note 10(b))	554	-
<i>Deferred tax</i>		
Origination and reversal of timing differences		
Current period	80	278
Prior period	40	66
Foreign tax	(13)	(3)
Tax on profit on ordinary activities	661	341

#### (b) Factors affecting current tax charge

	2010 £000	2009 £000
Profit on ordinary activities before taxation	4,022	1,905
Profit on ordinary activities multiplied by the standard rate of corporation tax of 28% (2009 28%)	1,126	534
Expenses not deductible for tax purposes	42	55
Accelerated capital allowances	(199)	(200)
Group relief	(531)	(310)
Other timing differences	115	(79)
Prior Year Adjustment	1	-
Total current tax	554	-

## Notes to the financial statements

at 31 December 2010

### 10. Tax (continued)

#### (c) Deferred tax

The deferred tax asset included in the balance sheet is as follows

	2010 £000	2009 £000
Included in debtors (note 12)	<u>993</u>	<u>1,102</u>

Deferred taxation provided in the financial statements is as follows

	2010 Provided £000	2009 Provided £000
Depreciation in advance of capital allowances	540	747
Other timing differences	<u>453</u>	<u>355</u>
Deferred tax asset	<u>993</u>	<u>1,102</u>

Roll forward of deferred tax

	£000
Balance brought forward at 1 January 2010	1,102
Current period	(96)
Prior period	(13)
Balance carried forward at 31 December 2010	<u>993</u>

#### (d) Factors affecting current tax charge

The Chancellor announced in the Emergency Budget on 22 June 2010 that the standard rate of UK Corporation Tax will be reduced from 28% to 27% from 1 April 2011, and that there will be progressive annual reductions of a further 1% until a rate of 24% is reached with effect from 1 April 2014. The Finance Act (No 2) 2010 received Royal Assent on 27 July 2010, with the first of the rate reductions being substantively enacted from 21 July 2010 under UK GAAP.

As the legislation was substantively enacted by the balance sheet date, the deferred tax balances going forward have been calculated at 27%.

The Chancellor also announced in the Budget on 23 March 2011 that the standard rate of UK Corporation Tax will be reduced by a further 1% to 26% from 1 April 2011. However, this was not substantively enacted until 29 March 2011 and therefore has not been reflected in the deferred tax note and calculations. The future reductions are now planned to take the rate down by 1% per annum to 23% from 1 April 2014.

## Notes to the financial statements

at 31 December 2010

### 11. Tangible fixed assets

	<i>Short leasehold improvements</i>	<i>Equipment and motor vehicles</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost			
At 1 January 2010	2,963	2,334	5,297
Additions	16	267	283
Disposals	(14)	(116)	(130)
At 31 December 2010	<u>2,965</u>	<u>2,485</u>	<u>5,450</u>
Depreciation			
At 1 January 2010	1,522	1,730	3,252
Provided during the year	115	191	306
Disposals	(13)	(62)	(75)
At 31 December 2010	<u>1,624</u>	<u>1,859</u>	<u>3,483</u>
Net book value			
At 31 December 2010	<u>1,341</u>	<u>626</u>	<u>1,967</u>
At 31 December 2009	<u>1,441</u>	<u>604</u>	<u>2,045</u>

### 12. Debtors

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	39,081	28,844
Amounts owed by group undertakings	46,716	44,268
Prepayments and accrued income	702	397
Deferred tax	993	1,102
	<u>87,492</u>	<u>74,611</u>

### 13. Creditors: amounts falling due within one year

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Bank overdraft	70,869	13,857
Trade creditors	1,090	383
Amounts owed to group undertakings	25,477	39,343
Other taxation and social security	3,266	1,697
Accruals and deferred income	2,196	1,471
	<u>102,898</u>	<u>56,751</u>

## Notes to the financial statements

at 31 December 2010

### 14. Creditors: amounts falling due after more than one year

	2010 £000	2009 £000
Amounts owed to group undertakings	<u>36,586</u>	<u>36,586</u>

### 15. Pensions

The company operates a Group Personal Pension Plan along with a Salary Sacrifice Scheme. The pension cost charge represents contributions payable by the company to the employees' individual policies and amounted to £552,000 (2009: £555,000).

The unpaid contributions outstanding at the year end, included in 'Accruals and deferred income' (note 13) are £2,824 (2009: prepayment of £7,958).

### 16. Provisions for liabilities and charges

	£000
At 1 January 2010	1,365
Arising during the year	1,052
Utilised in the year	(949)
Reversed in the year	(518)
At 31 December 2010	<u>950</u>

At 31 December 2010 the provision represents property costs on the remaining life of the lease on one vacant property & onerous lease costs for a previously restructured property that is now being part sublet. Refer to Note 4 - Exceptional Items.

### 17. Commitments under operating leases

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as set out below:

	2010		2009	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire				
Within one year	–	126	–	157
In two to five years	134	253	199	314
In over five years	<u>363</u>	<u>–</u>	<u>461</u>	<u>–</u>
	<u>497</u>	<u>379</u>	<u>660</u>	<u>471</u>

### 18. Related party transactions

The company has taken advantage of the exemptions available to subsidiary undertakings under FRS 8 by not disclosing transactions with entities of the group qualifying as related parties. There are no other related party transactions requiring disclosure.



## Notes to the financial statements

at 31 December 2010

### 21. Ultimate parent company

Arrow Electronics (UK) Limited is a 100% subsidiary of Arrow Electronics UK Holding Limited

The parent undertaking of the smallest group of undertakings for which the group accounts are drawn up and of which the company is a member is Arrow Electronics Emeasa S R L , A company established in Italy

The parent undertaking of the largest group of undertakings for which the group accounts are drawn up and of which the company is a member is Arrow Electronics Inc, incorporated in the USA who are regarded as the ultimate parent company and controlling party

Arrow Electronics Inc has included the company in its group accounts. Copies of the accounts of Arrow Electronics Inc are available from

Arrow Electronics Inc  
50 Marcus Drive  
Melville  
New York  
11747 USA

### 22. Subsequent Events

In December 2010, Richardson RFPD UK Ltd was created as a new subsidiary of Arrow Electronics UK Ltd in order to transfer the acquired RFPD UK division of RFPD UK Ltd. At the year end, the company is dormant and therefore has no impact on the financial statement at 31 December 2010.

In January 2011, Arrow Electronics Inc acquired the Nu Horizons group. Arrow Electronics UK Ltd legally acquired the Nu Horizons trading company in May 2011. It is expected that the trade and assets of Nu Horizons will be transferred into Arrow Electronics UK Ltd during 2011 and fully integrated into the existing business.