

Registered No 2582534

# **Arrow Electronics (UK) Limited**

## **Report and Financial Statements**

31 December 2012

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COMPANIES HOUSE

**Directors**

P J Reilly

P S Brown

R Suonsilta (resigned 1<sup>st</sup> Feb 2012)

J A Ward (appointed 1<sup>st</sup> Feb 2012)

**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 2012

### Results and dividends

The net profit for the year after taxation amounted to £2,125,000 (2011 profit of £2,621,000) after exceptional costs of £306,000 (2011 exceptional costs of £825,000). 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 decreased in 2012 from 2011 by 19 % due to challenging market conditions. However, gross margin percentage increased in 2012 from 12.3% to 13.5%. Distribution and administration costs reduced by 5.8%, but increased as a percentage of sales from 9.5% to 11.0% (before exceptional items). Operating profit compared to sales remained stable at 2.2%.

### Profit and Loss Variances

	2012 £'000	2011 £'000	Percentage change %
Sales	136,311	168,589	(19.0)
Gross profit	18,342	20,751	(11.6)
Operating profit	2,951	3,900	(24.3)
Net profit after tax	2,125	2,621	(18.9)

### Future developments

2012 saw a market slowdown during the year. This slow down appears to be stabilising during the first half of 2013 and may continue to stabilise through the rest of the year.

### Directors

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

R Suonsilta (resigned 1st Feb 2012)

J A Ward (appointed 1st Feb 2012)

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.

## Directors' Report

### 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 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 13 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

## Directors' Report

improved

### Donations

During the year, the company made charitable donations totalling £1,541 (2011 £2,305)

### 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 2012 the company had an average of 28 days (2011 21 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

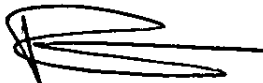
### Directors' statement as to disclosure of information to auditors

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

4 June 2013

## **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). 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 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 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 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.

## **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 2012 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 5 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 Report and Financial Statements 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 2012 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.

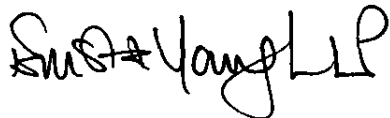
## **Independent auditors' report**

**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



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

4th June 2013



## Profit and loss account

for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
<b>Turnover</b>	2	136,311	168,589
Cost of sales		<u>117,969</u>	<u>147,838</u>
<b>Gross profit</b>	3	18,342	20,751
Distribution costs		13,774	14,439
Administrative expenses			
Before exceptional items		1,311	1,587
Exceptional items		<u>306</u>	<u>825</u>
Total administrative expenses		1,617	2,412
<b>Operating profit</b>		<u>2,951</u>	<u>3,900</u>
Interest receivable and similar income	8	175	352
Interest payable and similar charges	9	<u>(135)</u>	<u>(615)</u>
		40	(263)
<b>Profit on ordinary activities before taxation</b>		2,991	3,637
Tax on profit on ordinary activities	10	<u>(866)</u>	<u>(1,016)</u>
<b>Profit for the financial year</b>	21	<u>2,125</u>	<u>2,621</u>

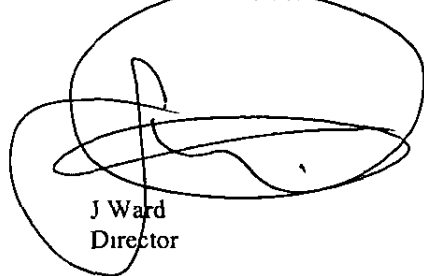
There were no recognised gains and losses for the current or prior year other than the profit (2011 profit) for the year which is derived from continuing activities

## Balance sheet

at 31 December 2012

	Notes	2012 £000	2011 £000
<b>Fixed assets</b>			
Tangible assets	12	1,745	1,957
		<u>1,745</u>	<u>1,957</u>
<b>Current assets</b>			
Debtors	13	84,371	94,930
Cash at bank		23,324	34,755
		<u>107,695</u>	<u>129,685</u>
<b>Creditors</b> amounts falling due within one year	14	37,980	62,646
<b>Net current assets</b>		<u>69,715</u>	<u>67,039</u>
<b>Total assets less current liabilities</b>		<u>71,460</u>	<u>68,996</u>
<b>Creditors</b> amounts falling due after more than one year	15	36,586	36,586
<b>Provisions for liabilities and charges</b>	17	601	880
		<u>34,273</u>	<u>31,530</u>
<b>Capital and reserves</b>			
Called up share capital	20	5,500	5,500
Share premium account	21	16,500	16,500
Profit and loss account	21	8,933	6,808
Equity reserve	21	3,340	2,722
<b>Equity shareholders' funds</b>	21	<u>34,273</u>	<u>31,530</u>

On behalf of the board



J Ward  
Director

4 June 2013

## Notes to the financial statements

at 31 December 2012

### 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 Saturday within seven days of that date

#### ***Consolidated accounts***

The directors have taken advantage of the exemption from preparing group accounts. This exemption is available to the company under section 401 of the Companies Act 2006. The company is a wholly owned subsidiary of its immediate parent company, Arrow Electronics UK Holding Limited and is included in the consolidated financial statements of its ultimate parent company, Arrow Electronics Inc whose accounts are publicly available, see note 22 for further details. Accordingly the accounts presented herein have been prepared on a company only basis.

#### ***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.

## Notes to the financial statements

at 31 December 2012

### 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

#### **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 2012

### 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.

Turnover is attributed to goods sold almost exclusively within the UK with minimal goods being sold within Ireland and mainland Europe.

### 3. Operating profit

This is stated after charging/(crediting)

	2012 £000	2011 £000
Auditors' remuneration – audit services	38	40
Loss on foreign exchange	578	453
Depreciation of owned fixed assets	344	321
Operating lease rentals - land and buildings	429	386
- plant and machinery	369	374
Share based payments	618	618

### 4. Exceptional items

	2012 £000	2011 £000
Recognised in arriving at operating profit		
Reorganisation Costs	306	825

#### 2012

Reorganisation costs cover the closure of the Bristol office and lease termination costs for the Coventry office. Also included are continuing onerous lease cost adjustments for the Bedford and Dublin sites, along with costs associated with the move to a single pool of inventory within Europe.

#### 2011

Reorganisation costs cover the closures of the Coventry warehouse and Coventry office, both locations previously occupied by Nu Horizons. Also included are onerous lease costs associated with the Nu Horizons acquisition and continuing onerous lease costs for the Bedford and Dublin sites.

## Notes to the financial statements

at 31 December 2012

### 5. Staff costs

	2012 £000	2011 £000
Wages and salaries	13,180	15,140
Social security costs	1,772	2,184
Other pension costs (note 16)	593	603
	<u>15,545</u>	<u>17,927</u>

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

	2012 No	2011 No
Directors	1	-
Staff	335	354
	<u>336</u>	<u>354</u>

### 6. Directors' emoluments

	2012 £000	2011 £000
Emoluments	<u>140</u>	<u>-</u>
Value of company pension contributions to pension plans	<u>-</u>	<u>-</u>
	2012 No	2011 No
Number of directors who exercised share options	-	-
Number of directors who were members of pension plans	<u>-</u>	<u>-</u>

Other 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 2012

### 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

	2012 No	2012 WAEP	2011 No	2011 WAEP
Outstanding as at 1 January	57,513	\$32.97	65,261	\$29.91
Granted during the year	12,383	\$40.15	9,103	\$38.69
Exercised during the year	(21,540)	\$31.28	(16,851)	\$30.97
Forfeited/expired during the year	-	-	-	-
Outstanding at 31 December	48,356	\$32.92	57,513	\$32.97
Exercisable at 31 December	20,487		30,649	

The range of exercise prices for options outstanding at year end was \$16.82 to \$40.15 (2011: \$13.85 to \$38.69)

#### 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

	2012 No	2012 WAFV	2011 No	2011 WAFV
Outstanding as at 1 January	58,064	\$26.51	57,993	\$21.53
Granted during the year	14,559	\$40.15	14,782	\$38.81
Exercised during the year	(13,383)	\$18.88	(13,398)	\$18.88
Forfeited during the year	(453)	\$29.24	(1,313)	\$23.08
Outstanding at 31 December	58,787	\$31.56	58,064	\$26.51

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.

## Notes to the financial statements

at 31 December 2012

### 7. Share based payments (continued)

#### 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.

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

	2012 No	2012 WAFV	2011 No	2011 WAFV
Outstanding as at 1 January	33,628	\$28.84	33,672	\$23.82
Granted during the year	9,879	\$40.15	11,349	\$38.81
Exercised during the year	(13,338)	\$27.18	(10,397)	\$23.84
Forfeited during the year	(362)	\$32.49	(996)	\$24.95
Outstanding at 31 December	29,807	\$33.24	33,628	\$28.84

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:

	2012	2011
Share price at date of grant	\$40.15	\$38.69
Risk free interest rate	1.0%	2.4%
Expected life (in years)	5.42	5.50
Expected volatility	40.41%	37.22%
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 life 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

	2012 £000	2011 £000
Bank interest receivable	172	352
Other interest receivable	3	—
	<u>175</u>	<u>352</u>



## Notes to the financial statements

at 31 December 2012

### 9. Interest payable and similar charges

	2012 £000	2011 £000
Bank interest payable	66	574
Other interest payable	69	41
	<u>135</u>	<u>615</u>

### 10. Tax

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

The tax charge is made up as follows

	2012 £000	2011 £000
<i>Current tax</i>		
UK corporation tax	490	800
Total current tax (note 10(b))	<u>490</u>	<u>800</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences		
Current period	82	216
Prior period	294	-
Foreign tax	-	-
Tax on profit on ordinary activities	<u>866</u>	<u>1,016</u>

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

	2012 £000	2011 £000
Profit on ordinary activities before taxation	<u>2,991</u>	<u>3,637</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax of 24.5% (2011: 26.5%)	733	963
Expenses not deductible for tax purposes	80	81
Chargeable Gains	76	-
Accelerated capital allowances	(164)	(150)
Group relief	(218)	(237)
Other timing differences	(4)	143
Prior Year Adjustment	(13)	-
Total current tax	<u>490</u>	<u>800</u>

## Notes to the financial statements

at 31 December 2012

### 10. Tax (continued)

#### (c) Deferred tax

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

	2012 £000	2011 £000
Included in debtors (note 13)	<u>402</u>	<u>777</u>

Deferred taxation provided in the financial statements is as follows

	2012 Provided £000	2011 Provided £000
Depreciation in advance of capital allowances	272	359
Other timing differences	<u>130</u>	<u>418</u>
Deferred tax asset	<u>402</u>	<u>777</u>

#### Roll forward of deferred tax

	£000
Balance brought forward at 1 January 2012	777
Current period	(82)
Prior period	(294)
Balance carried forward at 31 December 2012	<u>402</u>

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

The Chancellor announced in the 2012 Autumn Statement that the main rate of UK Corporation Tax was to be reduced to 23% from 1 April 2013. Finance Act 2012 received Royal Assent on 17 July 2012, with the rates being substantively enacted from 3 July 2012.

As the legislation was substantively enacted by the balance sheet date, the closing deferred tax balances have been calculated at 23%.

Please note, the 2013 budget also announced further reductions in the main rate of corporation tax from 1 April 2014 to 21%. These rates have not been used for the purposes of the deferred tax calculations as they were not enacted at the Balance Sheet date. The 2013 budget proposed a further reduction to 20% from 1 April 2015. The impact of the reduction to 20% would not materially affect the deferred tax valuation.

The deferred tax asset has been recognised on the basis of the company's previous and current performance.

## Notes to the financial statements

at 31 December 2012

### 11. Investments

The company has investments in the following subsidiaries, all of which relate to 100% holdings of ordinary shares and are wholly owned and incorporated in England and Wales

Richardson RFPD UK Ltd	– Distribution of electronic components
Nu Horizons Electronics Europe Ltd	– Holding company
Nu Horizons Electronics Ltd	– Non trading company

The cost of these investments is £2

### 12. Tangible fixed assets

	<i>Short leasehold improvements £000</i>	<i>Equipment and motor vehicles £000</i>	<i>Total £000</i>
Cost			
At 1 January 2012	2,991	2,770	5,761
Additions	-	180	180
Disposals	(1,205)	(1,832)	(3,037)
At 31 December 2012	<u>1,786</u>	<u>1,118</u>	<u>2,904</u>
Depreciation			
At 1 January 2012	1,740	2,064	3,804
Provided during the year	117	227	344
Disposals	(1,198)	(1,791)	(2,989)
At 31 December 2012	<u>659</u>	<u>500</u>	<u>1,159</u>
Net book value			
At 31 December 2012	<u>1,127</u>	<u>618</u>	<u>1,745</u>
At 31 December 2011	<u>1,251</u>	<u>706</u>	<u>1,957</u>

### 13. Debtors

	<i>2012 £000</i>	<i>2011 £000</i>
Trade debtors	31,597	37,879
Amounts owed by group undertakings	51,754	55,551
Prepayments and accrued income	618	723
Deferred tax	402	777
	<u>84,371</u>	<u>94,930</u>

## Notes to the financial statements

at 31 December 2012

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

	2012 £000	2011 £000
Bank overdraft	12,547	25,188
Trade creditors	511	481
Amounts owed to group undertakings	20,413	29,451
Other taxation and social security	2,649	4,228
Accruals and deferred income	1,860	3,298
	<u>37,980</u>	<u>62,646</u>

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

	2012 £000	2011 £000
Amounts owed to group undertakings	<u>36,586</u>	<u>36,586</u>

### 16. 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 £593,000 (2011: £603,000).

The unpaid contributions outstanding at the year end, included in 'Accruals and deferred income' (note 14) are £96,000 (2011: £107,000).

### 17. Provisions for liabilities and charges

	£000
At 1 January 2012	880
Arising during the year	306
Utilised in the year	(585)
At 31 December 2012	<u>601</u>

At 31 December 2012 the provision represents property costs on the remaining life of the lease on one vacant property, onerous lease costs for one previously restructured property that is now being part sublet, and the remaining provision from restructuring activities in 2012.  
Refer to Note 4 - Exceptional Items

## Notes to the financial statements

at 31 December 2012

### 18. Commitments under operating leases

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as set out below

	2012		2011	
	<i>Land and buildings £000</i>	<i>Other £000</i>	<i>Land and buildings £000</i>	<i>Other £000</i>
Operating leases which expire				
Within one year	54	92	-	94
In two to five years	329	276	209	281
In over five years	272	-	272	-
	<u>656</u>	<u>368</u>	<u>481</u>	<u>375</u>

### 19. 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.

### 20. Share capital

	2012		<i>Authorised</i> 2011	
	£000		£000	
Ordinary shares of £1 each		<u>5,500</u>		<u>5,500</u>
	<i>Allotted, called up and fully paid</i>			
	<i>No</i>	<i>2012</i>	<i>No</i>	<i>2011</i>
		£000		£000
Ordinary shares of £1 each	5,500,002	<u>5,500</u>	5,500,002	<u>5,500</u>

## Notes to the financial statements

at 31 December 2012

### 21. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Equity £000</i>	<i>Profit and loss account £000</i>	<i>Total share-holders' funds £000</i>
At 1 January 2011	5,500	16,500	2,104	4,187	28,291
Profit for the year	–	–	–	2,621	2,621
Share Based Payment	–	–	618	–	618
At 1 January 2012	5,500	16,500	2,722	6,808	31,530
Profit for the year	–	–	–	2,125	2,125
Share Based Payment	–	–	618	–	618
At 31 December 2012	<u>5,500</u>	<u>16,500</u>	<u>3,340</u>	<u>8,933</u>	<u>34,273</u>

### 22. 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