Registered No: 2582534

Arrow Electronics (UK) Limited

Report and Financial Statements

31 December 2020

Directors
D Hassell
C Stansbury

Secretary
P Ewing

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

Bankers
HSBC Bank Plc
Poultry
London
EC2P 2BX
United Kingdom

Solicitors
Herbert Smith
Exchange House
Primrose Street
London
EC2A 2HS
United Kingdom

Registered office
Kao 1
Kao Park
Hockham Way
Harlow
Essex
CM17 9NA
United Kingdom

Strategic Report

The directors present their strategic report for the year ended 31 December 2020.

Results and dividends

The net profit for the year after taxation amounted to £7,840,000 (2019: profit of £8,186,000) after exceptional cost of £33,000 (2019: exceptional income of £658,000).

Review of the business

Turnover decrease in 2020 from 2019 by 17.7%, due to the pandemic, mainly with Aerospace and Defence customers who have been more impacted than others. Gross margin percentage slightly decreased in 2020 from 8.1% to 7.6%. Distribution and administration costs decreased by 32.1%. This corresponds to a decrease as a percentage of sales from 4.1% to 3.4% (before reorganisation cost). Operating profit percentage compared to sales increased in 2020 from 3.7% to 4.2%.

Profit and Loss Variances

	2020 *£000*	*2019* *£000*	*Percentage change %*
Sales	230,539	280,160	-17.7
Gross profit	17,485	22,587	-22.5
Operating profit	9,684	10,494	-7.7
Net profit on ordinary activities after tax	7,840	8,186	-4.2

Future developments

Though there is still some uncertainty, the outlook for 2021 is for a reasonable level of growth in the market and expectations are that the business will see similar growth.

Brexit implications

The company prepared for Brexit and detailed plans were put in place before the end of the year. A special governance team was created to assess the impact and manage the transition.

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

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

<u>Credit risk</u> 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 16 to the financial statements.

Strategic Report (continued)

Exposure to price, credit, liquidity and cashflow risk (continued)

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.

Impact of Covid-19 – The company continued trading during the lockdown period and managed its position very well in the market. The financial and other information were regularly assessed and there were no major risks identified affecting the business and its trading activity.

The effects of the pandemic have not yet been seen in full, however the UK has seen a decline in revenues during 2020 of 19% overall, around £15m in 2020 versus 2019 due to the pandemic, mainly with Aerospace and Defence customers who have been more impacted than others. The gross margin has remained consistent and there has been a decrease in accounts receivables, mainly driven by the lower sales along with a reduced overdue amount towards the end of the year.

Risks are mitigated further since the company is a subsidiary of a large global corporation, Arrow Electronics Inc., and both individually and as part of the global group, has significant long-term trading relationships with a significant number of customers and suppliers across different geographic areas and technologies. The business has cash and financial resources through the global cash pool arrangement, as part of the global corporation. Management of Arrow Electronics Inc has confirmed that cash availability and the ability to generate future operating cash flows, are sufficient to meet the projected cash flow needs of the business up to at least 12 months from the date the accounts are signed.

S172 Companies ACT 2006

Section 172(1) Statement

The revised UK Corporate Governance Code was published in July 2018 and applies to accounting periods beginning on or after January 1, 2019

The Companies (Miscellaneous Reporting) Regulations 2018 require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172.

This S172 statement, explains how the Directors:

a) have engaged with employees, suppliers, customers and others; and
b) have had regard to employee interests, the need to foster the company's business relationships with suppliers, customers and other, and the effect of that regards, including on the principal decisions taken by the company during the financial year.

The S172 statement focuses on matters of strategic importance to the Company, and the level of information disclosed is consistent with the size and the complexity of the business.

General confirmation of Directors' duties

The Board has a clear framework for determining the matters within its remit and certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval. The Delegation of Authority sets out the delegation and approval process across the broader business.

Strategic Report (continued)

S172 Companies ACT 2006 (continued)

When making decisions, each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

S172(1) (A) "The likely consequences of any decision in the long term"

The Directors understand the business and the evolving environment in which we operate, including the related challenges. Based on the Company's purpose to distribute electronic components and provide technological solutions to a variety of market sectors, the strategy set by the Board is intended to strengthen our position as a leading electronic components distribution company, by providing products and services while keeping safety and social responsibility fundamental to our business approach.

S172(1) (B) "The interests of the company's employees"

The Directors recognise that employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible. Town hall meetings are organized at UK and EMEA level where feedback is requested from employees.

S172(1) (C) "The need to foster the company's business relationships with suppliers, customers and others"

Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers and government. The Company seeks the promotion and application of sound corporate governance principles in such relationships, which are prescribed in standards such as the Supplier Code of Conduct which governs the Company's approach to suppliers. The Company continuously assesses the priorities related to customers and those with whom we do business. Moreover, the Directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged. These include information provided from the Finance and/or Legal Department.

S172(1) (D) "The impact of the company's operations on the community and the environment"

The Board receives information on these topics to both provide relevant information for specific Board decisions (e.g. those related to specific strategic initiatives such as investment or divestment proposals, business strategy reviews, etc.) and to provide ongoing overviews (e.g., regular Health & Safety updates and reports from internal audit).

S172(1) (E) "The desirability of the company maintaining a reputation for high standards of business conduct"

The Company aims to meet the growing needs of technological solutions in ways which are economically, environmentally and socially responsible. The Board periodically reviews and approves clear frameworks, such as the Standards of Conduct, specific Ethics & Compliance manuals, and ensures all personnel participate in training which cover topics such as Bribery and Modern Slavery. All personnel have access to the Arrow Alertline, as well as the Navex Global confidential report platform, through which any compliance or ethics issues can be discussed or reported to Arrow Corporation, the ultimate holding company. The Company also performs due diligence before entering into new supplier or distributor agreements. These measures ensure that high standards of business conduct are maintained both within the Company and its business relationships.

S172(1) (F) "The need to act fairly as between members of the company"

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, our Directors act fairly as between the Company's members but are not required to balance the Company's interest with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned.

Strategic Report (continued)

Streamlined Energy and Carbon Reporting (SECR)

This is the first year that the group has been subject to the Streamlined Energy and Carbon Reporting requirements and, as permitted by the guidance, no comparatives are given.

The company is required to report greenhouse gas ('GHG') emissions in the Directors' report in line with Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Arrow Electronics (UK) Limited **Energy Consumption and associated CO2 emissions**	**2020**
	Consumption
Total Energy consumption (Electricity) (kWh)	453,264
Total Energy consumption (Nat gas and Oil) (kWh)	44,956
Total vehicle fuel consumption (Petrol) (kWh)	55,545
	Emissions
Combustion of fuel - Nat gas and Oil (Scope 1) (TCO2e)	8.27
Business Fuel - company owned + Grey Mileage (Scope 1+2) (TCO2e)	13.40
Electricity purchased for own use - company owned (Scope 2) (TCO2e)	105.67
Total Annual Gross Emissions	127.34
	Annual GHG intensity measure (TCO2e/SQM)
GHG emissions TCO2e/SQM	0.02
Total SQM	**6,604**

This report includes only the properties where Arrow Electronics (UK) Limited pays the invoices of Electricity, Gas and Oil directly to the provider. The rest of the properties include these expenses in the monthly fee.

On behalf of the board

D Hassell
Director

28 September 2021

Directors' Report

The directors present their report and financial statements for the year ended 31 December 2020.

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.

Directors

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

D Hassell
C Stansbury
L Hughes (resigned 15th December 2020)

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.

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 £Nil (2019: £Nil).

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.

Directors' Report (continued)

Going Concern and Covid-19

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 review of the business 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. The business also has cash and financial resources through the global cash pool arrangement, as part of the global corporation. As a consequence, the directors believe that the company is well placed to manage its business risk successfully.

The Covid-19 pandemic has, at the time of approving these financial statements, had no direct impact on the company. The company did not stop trading during lockdown period. The employees have worked remotely without affecting the performance due to the exiting IT support network. The company has taken several measures to reduce operating expenses. The financial and operating information are assessed on regular basis with specific focus on Covid-19 impact.

After making enquiries and considering the impact of Covid-19, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. In considering the appropriateness of the going concern statement, the directors of the business have taken account of the recent trading activity and profitability of the company along with the cashflow forecast prepared to 30 September 2022. Management of Arrow Electronics Inc has confirmed it will support the company for the period to 30 September 2022. The directors have assessed Arrow Inc's ability to provide this support and are satisfied that it is able to do so. 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

P Ewing
Secretary

28 September 2021

Directors' responsibilities statement

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

Opinion

We have audited the financial statements of Arrow Electronics (UK) Limited for the year ended 31 December 2020 which comprise Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 30 September 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent auditors' report (continued)

to the members of Arrow Electronics (UK) Limited

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS101, the Companies Act 2006) and the relevant tax laws and regulations in the UK. In addition, the company must comply with laws and regulations relating to its operations, including employment laws, health and safety regulations, environmental regulations and GDPR.
- We understood how the company is complying with those frameworks by making enquiries of management to understand the process in place to maintain and communicate its policies and procedures in these areas. We corroborated our enquiries through our review of board minutes, correspondence with relevant authorities and supporting documentation, and noted that there was no contradictory evidence.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue to be a fraud risk. We incorporated data analytics into our testing of manual journals and into our testing of revenue recognition. We performed detailed substantive procedures on cut-off to ensure revenue is recognised in the correct period. We confirmed a sample of transactions back to source documentation, ensuring appropriate authorisation of transactions. We tested controls relating to revenue recognition to test the operating effectiveness of the controls.

Independent auditors' report (continued)

to the members of Arrow Electronics (UK) Limited

- Based on this understanding we designed our audit procedures to identify noncompliance with the laws and regulations. Our procedures involved:
  - Enquiry of management and those charged with governance as to any fraud identified or suspected in the period, any actual or potential litigation or claims or breaches of significant laws or regulations applicable to the company;
  - Auditing the risk of management override of controls, through testing of a sample of journal entries and other adjustments for appropriateness;
  - Enquiry of management, coupled with testing of journal entries, in order to identify and understand any significant transactions outside of the normal course of business;
  - Challenging the judgements made by management through corroborating the basis for those judgments and considering contradicting evidence; and
  - Reading financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Anup Sodhi (Senior statutory auditor)
for and on behalf of Ernst & Young LLP (Statutory auditor)
Luton

Dated: 28th September 2021

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2020

	Notes	*2020* *£000*	*2019* *£000*
Turnover	2	230,539	280,160
Cost of sales		(213,054)	(257,573)
Gross profit		17,485	22,587
Distribution costs		7,470	7,915
Administrative expenses excluding exceptional items		298	3,520
Exceptional items	3	33	658
Total administrative expenses		7,801	12,093
Operating profit	4	9,684	10,494
Interest receivable and similar income	8	58	225
Interest payable and similar charges	9	(183)	(493)
Interest on lease liabilities	9	(451)	(496)
Profit on ordinary activities before taxation		9,108	9,730
Tax on profit on ordinary activities	11	(1,268)	(1,544)
Profit for the financial year	24	7,840	8,186

Balance sheet
at 31 December 2020

	Notes	31 Dec 2020 £000	31 Dec 2019 £000
Fixed assets			
Goodwill	13	1,417	1,417
Tangible assets	14	3,132	3,627
Right-of-use assets	15	7,613	8,103
		12,162	13,147
Current assets			
Debtors: amounts falling due within one year	16	3,991	66,265
Cash at bank		83,269	30,449
		87,260	96,714
***Creditors:* amounts falling due within one year**			
Trade and other payables	17	46,777	44,036
Loans and borrowings	17	31	20,516
		46,808	64,552
Net current assets		40,452	32,162
Total assets less current liabilities		52,614	45,309
Non-current liabilities			
Provisions for liabilities and charges	19	(12)	(30)
Lease liability more than one year	20	7,226	7,805
Total non-current liabilities		7,214	7,775
Net assets		45,400	37,534
Capital and reserves			
Called up share capital	23	5,500	5,500
Share premium account	24	16,500	16,500
Profit and loss account	24	19,535	11,695
Equity reserve	24	3,865	3,839
Equity shareholders' funds	24	45,400	37,534

On behalf of the board

D Hassell
Director

28 September 2021

Statement of changes in equity
at 31 December 2020

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Equity reserve £000	Cash flow hedge reserve £000	Total £000
At 1 January 2019	5,500	16,500	53,509	3,773	-	79,282
Profit for the financial year	-	-	8,186	-	-	8,186
Total comprehensive income	-	-	8,186	-	-	8,186
Dividend payable	-	-	(50,000)	-	-	(50,000)
Share-based payments	-	-	-	66	-	66
At 31 December 2019	5,500	16,500	11,695	3,839	-	37,534
Profit for the financial year	-	-	7,840	-	-	7,840
Total comprehensive income	-	-	7,840	-	-	7,840
Share-based payments	-	-	-	26	-	26
At 31 December 2020	5,500	16,500	19,535	3,865	-	45,400

Notes to the financial statements
at 31 December 2020

1. Accounting policies

Arrow Electronics (UK) Limited (the "Company") is a private limited liability company incorporated in England. The registered office address is:

Kao 1
Kao Park
Hockham Way
Harlow
Essex
CM17 9NA

The financial statements of Arrow Electronics (UK) Limited for the year ended 31 December 2020 were authorised for issue by the board of directors on 28 September 2021 and the balance sheet was signed on the board's behalf by D Hassell.

1.1 *Basis of preparation*

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements are prepared under the historical cost convention modified by a true and fair view override in respect of the non-amortisation of goodwill.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2020.

The Company has taken advantage of the following disclosure exemptions under FRS 101:
a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share Based Payment because the share based payment arrangement concerns the instruments of another group entity
b) the requirements of IFRS 7 Financial Instruments: Disclosures
c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
(i) paragraph 79(a)(iv) of IAS 1;
(ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
(iii) paragraph 118(e) of IAS 38 Intangible Assets
e) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements
f) the requirements of IAS 7 Statement of Cash Flows;
g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
h) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
i) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
j) the requirements of IAS 27 Consolidated and Separate Financial Statements;
k) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets

The accounting reference date of the company is 31 December. The financial statements are prepared in pounds sterling and are rounded to the nearest thousand pounds (£000).

Going Concern and Covid-19

The Covid-19 pandemic has, at the time of approving these financial statements, had no direct impact on the company. The company did not stop trading during lockdown period. The employees have worked remotely without affecting the performance due to the exiting IT support network. The company has taken several measures to reduce operating expenses. The financial and operating information are assessed on regular basis with specific focus on Covid-19 impact.

Notes to the financial statements
at 31 December 2020

1.1 Basis of preparation (Continued)

Going Concern and Covid-19 (Continued)

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. The business also has cash and financial resources through the global cash pool arrangement, as part of the global corporation. As a consequence, the directors believe that the company is well placed to manage its business risk successfully.

After making enquiries and considering the impact of Covid-19, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. In considering the appropriateness of the going concern statement, the directors of the business have taken account of the recent trading activity and profitability of the company along with the cashflow forecast prepared to 30 September 2022. Management of Arrow Electronics Inc has confirmed it will support the company for the period to 30 September 2022. The directors have assessed Arrow Inc's ability to provide this support and are satisfied that it is able to do so. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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 and under IAS 27, since a parent company prepares consolidated accounts which, the directors consider, are drawn up on an equivalent basis and are publicly available. Accordingly the accounts presented herein have been prepared on a company-only basis.

Cash flow statement
The directors have taken advantage of the exemption from preparing a cash flow statement. This exemption is available to the company under IAS 7, since the ultimate parent company, Arrow Electronics Inc, prepares a consolidated cash flow statement which, the directors consider, is drawn up on an equivalent basis.

1.2 Significant judgements and estimates

Intangible assets
Goodwill has arisen on acquisition of a business assembling power units. The recoverable amount of this business has been assessed based on a value-in-use calculation using cash flow projections based on management financial results for 2020. A conservative nil growth rate has been assumed for future years, acting as a lower threshold for the calculation, which is less than the long-term average growth rate expected for the type of business. The discount rate applied to cash flow projections is 7.35%.

IFRS 16
The company's lease commitments relate mainly to properties and motor vehicles. Leases are typically negotiated on an individual basis and thus contain a wide range of terms and conditions, including options to extend or terminate. The lease liability is considered to be an indicator of the future cash outflows, there are no significant restrictions or covenants, residual value guarantees or sale and leaseback transactions. Previously, payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease.

From 1 January 2019, the company assesses at contract inception whether a contract is, or contains, a lease. The company initially recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets is equal to the aggregate lease liabilities recognised on day 1, adjusted for any initial direct costs incurred, any lease incentives received, and any lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the lease term. Right of use assets are tested for impairment at each year end.

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of the lease payments to be made over the lease term, discounted at the incremental borrowing rate. The lease payments

Notes to the financial statements
at 31 December 2020

1.2 Significant judgements and estimates (continued)

IFRS 16(continued)

include fixed payments less any lease incentives received, and amounts expected to be paid under residual value guarantees. In calculating the present value of the lease payments, the company uses its incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. Following recognition, the liability is reduced for the lease payments made and increased by the interest accrued. Moreover, the carrying amount of the lease liability is re-measured in the event of a modification, such as a change in the lease term or change in the lease payments. The interest cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining liability for each period.

The company applies the short-term lease exemption to those leases that have a lease term of 12 months or less from the commencement date and also applies the exemption for leases of low value assets to office equipment. Lease payments relating to these exemptions are recognised in operating expenses on a straight-line basis over the lease term. These exemptions are not applied to property leases and any short-term property leases are accounted for as above.

Lease term
The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease where this is reasonably certain to be exercised, or any periods covered by an option to terminate the lease where this is reasonably certain not to be exercised.

Many of the company's leases, particular property leases, contain options for the company to extend and / or terminate the lease term. The company applies judgement in evaluating whether it is reasonably certain to exercise these options, taking account of all relevant factors that create an economic incentive for it to do so. After the lease commencement date, the company reassesses the lease term if there has been a significant event or change in circumstances that is within its control and which affects its ability to exercise (or not to exercise) the option to renew and / or to terminate (e.g. a change in business strategy).

1.3 Accounting policies

Related party transactions
The company is a wholly owned subsidiary of Arrow Electronics UK Holding Limited, which is the domestic ultimate parent company of Arrow Electronics (UK) 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 IAS 24 from disclosing transactions with related parties in the Arrow Electronics Inc group.

Intangible assets
The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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.

Notes to the financial statements
at 31 December 2020

1.3 *Accounting policies (Continued)*

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. Useful lives and residual values are reviewed annually and where adjustments are required, these are made prospectively.

Trade and other debtors
Trade debtors are recognised and carried at the lower of their original invoiced value and recoverable amount.

Expected Credit Losses
The company is responsible for the ongoing evaluation of our ability to collect trade receivables from our customers. Allowances for credit losses that is adequate to cover the current estimate of expected lifetime credit losses are recorded as a reserve.

The reserve is calculated by first pooling assets into similar risk categories and then applying age-based reserve percentages to the asset values to calculate the credit reserve. When assets do not fit into a credit pool, they are reviewed in isolation for an appropriate credit reserve.

Assets are evaluated and pooled together based on risk characteristics. The company requires the use of customer credit ratings (either internal or external) as the basis for pooling assets and the use of 4 customer groupings Good Credit, Average Credit, Poor Credit, and No Credit (or Bankrupt) in order to support the reserve review.

The age-based reserve is calculated by taking the different asset pools and applying reserve percentages to the aging groups (based on days past the invoice due date).

The reserve for expected credit losses represents the portion of the financial asset that that the company does not expect to collect. The reserve is intended to result in the financial asset being reflected on the balance sheet at the net amount expected to be collected.

Non-Trade Receivable balances are also evaluated in terms of their recoverability. Appropriate reserves are recorded where applicable against these Non-Trade Receivable balances.

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

Taxation
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Notes to the financial statements
at 31 December 2020

1.3 *Accounting policies (continued)*

Taxation (continued)

Deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary 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.

Revenue recognition

Recognition
Revenue is recognised in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS 15 are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

Fee arrangements
Below are details of fee arrangements and how these are measured and recognised, for revenue from the sale of products:

> Revenue is recognised when we transfer control and performance obligations are met, usually on delivery of product to the customer. Terms of the fee arrangement are detailed in the terms and conditions attached to the invoice.

Performance obligations

Revenue from the sale of goods is recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the trade customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

Transaction price

The transaction price is the fair value of the consideration received for the product less discounts / rebates and value added taxes. Payment of the transaction price is due immediately when the customer purchases the goods and takes delivery.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Rendering of services
Sales of services are recognised when the service has been performed and the receipt of payment is reasonably certain. Revenue on longer-term service contracts is recognised by reference to the stage of completion of the service, on a straight-line basis over the life of the contract.
Assets recorded in the balance sheet as finance lease receivables represent the net investments in equipment purchased by the Company. These assets are reduced over the term of the lease by the gross amount paid by customers less an amount representing amounts receivable on the capital balance.
All other lease agreements with customers are classified as operating leases. Assets under operating leases are classified as rental equipment within tangible fixed assets and depreciated over five years. Rentals receivable from customers under operating leases are recognised in the profit and loss account on a straight line basis and associated costs are charged to other operating charges as incurred.

Notes to the financial statements
at 31 December 2020

1.3 *Accounting policies (continued)*

Revenue recognition (Continued)

Income arising subsequent to the initial term of the lease is recognised as it falls due net of the associated element of any residual value. Income arising from services is recognised evenly over the term of the lease

Exceptional items

The company presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

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.

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

The financial statements are prepared in sterling which is the functional currency of the company.

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.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Notes to the financial statements
at 31 December 2020

1.3 *Accounting policies (continued)*

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Income statement. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

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.

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 predominantly attributable to goods sold within the UK, with minimal goods being sold within Ireland, mainland Europe and the rest of the World.

3. Exceptional items

	2020	*2019*
	£000	*£000*
Recognised in arriving at operating profit:		
Reorganisation costs /(income)	33	658

<u>2020</u>

Reorganisation costs comprise personnel restructuring cost balance as of 31 December 2020.

<u>2019</u>

Reorganisation costs comprise personnel restructuring cost balance as of 31 December 2019

Notes to the financial statements
at 31 December 2020

4. Operating profit

This is stated after charging/(crediting):

			Notes	*2020* *£000*	*2019* *£000*
Auditors' remuneration – audit services				50	42
Loss on foreign exchange (included in cost of sales)				1,925	(135)
(Gain) on foreign exchange (included in administrative expenses)				(1,806)	199
Depreciation of owned fixed assets			14	778	753
Amortization of right-of-use assets			15	893	972
Operating lease rentals	- land and buildings			-	-
	- plant and machinery			22	4
Share based payments			7	26	66

5. Staff costs

	2020 *£000*	*2019* *£000*
Wages and salaries	21,820	21,622
Social security costs	3,180	3,146
Other pension costs (note 18)	1,050	1,075
	26,050	25,843

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

	2020 *No.*	*2019* *No.*
Directors	1	1
Staff	446	458
	447	459

6. Directors' remuneration

	2020 *£000*	*2019* *£000*
Remuneration	247	281
Value of company pension contributions to pension plans	-	-

	2020 *No.*	*2019* *No.*
Number of directors who received remuneration in the year	1	1
Number of directors who exercised share options	1	1
Number of directors who were members of pension plans	-	-

Other directors' remuneration 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 2020

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 stock 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.

All costs associated with employees of the company that receive grants under this award scheme are wholly allocated to other group companies. As such, it is considered that there are no share option awards to employees of the company whose costs are borne by the company.

Performance Stock Units

The ultimate parent company has granted a specific number of performance stock units 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 Stock Units are awarded at the conclusion of the performance period.

Employees of the company whose costs are wholly allocated to other group companies are excluded from the calculation, as it is considered that the company will not bear the cost of these awards.

The weighted average share price at the date options were exercised was $79.22. (2019: $81.05).
The range of exercise prices for options outstanding at year end was $73.86 to $81.95 (2019: $56.43 to $81.95).
The weighted average remaining contractual life for the share options outstanding at year end was 2.00 years (2019: 2.00 years).

The directors consider that the fair value of performance stock units equates to the market price of shares in the ultimate parent company on the date of the award. On vesting, each unit is settled by delivery of one share of Common Stock.

Restricted Stock Units
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.

Employees of the company whose costs are wholly allocated to other group companies are excluded from the calculation, as it is considered that the company will not bear the cost of these awards.

The weighted average share price at the date options were exercised was $79.22 (2019: $81.05).
The range of exercise prices for options outstanding at year end was $73.86 to $81.95 (2019: $56.43 to $81.95).
The weighted average remaining contractual life for the share options outstanding at year end was 2.00 years (2019: 2.00 years).

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 IFRS2 is set out in note 4.

The fair value of share options granted were determined using the Black-Scholes option pricing model.

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.

Notes to the financial statements
at 31 December 2020

8. Interest receivable and similar items

	2020 £000	2019 £000
Bank interest receivable	13	225
other interest receivable	46	-
	59	225

9. Interest payable and similar charges

	2020 £000	2019 £000
Bank interest payable	121	474
Other interest payable	62	19
Interest on lease liabilities	451	496
	634	989

10. Dividend Income

During the year there was no dividend income (2019: no dividend income).

11. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2020 £000	2019 £000
Current Tax:		
UK corporation tax current year	1,348	1,643
Prior year adjustment	-	7
Total current tax (note 11(b))	1,348	1,650
Deferred Tax:		
Origination and reversal of timing differences:		
Current Period	(50)	(40)
Rate change	(30)	(21)
Prior period	-	(45)
Tax on profit on ordinary activities	1,268	1,544

(b) Factors affecting current tax charge

	2020 £000	2019 £000
Profit on activities before taxation (excluding income from group loans)	9,108	9,730
Profit on activities multiplied by the standard rate of corporation tax of 19% (2019: 19%)	1,730	1,849
Expenses not deductible for tax purposes	29	98
Income not taxable	-	(42)
Adjustment to deferred tax on share options	(323)	(235)
Rate difference	(30)	(21)
Foreign PE exemption	(60)	-
Group relief	(78)	(67)
Prior year adjustment	-	(38)
Tax on profit on ordinary activities	1,268	1,544

Notes to the financial statements
at 31 December 2020

11. Tax (Continued)

(c) Deferred tax

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

	2020	*2019*
	£000	*£000*
Included in debtors (note 16)	335	255

Deferred taxation provided in the financial statements is as follows:

	2020	*2019*
	Provided	*Provided*
	£000	*£000*
Depreciation in advance of capital allowances	(71)	(44)
Other timing differences	406	299
Deferred tax asset	335	255

Roll forward of deferred tax:

	£000
Balance brought forward at 1 January 2020	255
Current period	50
Rate change	30
Prior period	-
Balance carried forward at 31 December 2020	335

(d) Factors affecting current tax charge

The main rate of corporation tax in the UK is 19%. Finance Bill 2021, published on 11 March 2021, includes an increase to the main rate of corporation tax to 25% from 1 April 2023.

The closing deferred tax balances have been calculated at 17%, as this is the rate at which the majority of the deferred tax balances are expected to unwind. The impact of the reduction to 17% 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.

12. Investments

The company has an investment in the following subsidiaries, which relate to a 100% holding of ordinary shares and are wholly owned and incorporated in England and Wales.

Richardson RFPD UK Ltd – Distribution of electronic components
First Floor South Building, 226 Berwick Avenue, Slough, Berkshire SL1 4QT, United Kingdom

The cost of these investments is £1 (2019: £1).

Notes to the financial statements
at 31 December 2020

13. Intangible assets

	2020	*2019*
	£000	*£000*
Goodwill held at fair value:		
Cost and carrying amount at 1 January	1,417	1,417
Additions	-	-
Cost and carrying amount at 31 December	1,417	1,417

Goodwill has arisen on acquisition of a business assembling power units. The recoverable amount of this business has been assessed based on a value-in-use calculation using cash flow projections based on management financial results for 2020. A conservative nil growth rate has been assumed for future years, acting as a lower threshold for the calculation, which is less than the long-term average growth rate expected for the type of business. The discount rate applied to cash flow projections is 7.35%.

14. Tangible fixed assets

	Short leasehold improvements	*Equipment and motor vehicles*	*Total*
	£000	*£000*	*£000*
Cost:			
At 1 January 2020	3,338	4,125	7,463
Conversion	-	-	-
Additions	17	266	283
At 31 December 2020	3,355	4,391	7,746
Depreciation:			
At 1 January 2020	883	2,953	3,836
Provided during the year	305	473	778
At 31 December 2020	1,188	3,426	4,614
Net book value:			
At 31 December 2019	2,455	1,172	3,627
At 31 December 2020	2,167	965	3,132

Notes to the financial statements
at 31 December 2020

15. Right-of-use assets

	Land and buildings £000	*Motor vehicles £000*	*Total £000*
Cost:			
At 1 January 2020	8,538	537	9,075
Addition	-	428	428
Disposal	-	(282)	(282)
At 31 December 2020	8,538	683	9,221
Amortization:			
At 1 January 2020	689	283	972
Provided during the year	689	204	893
Disposal	-	(257)	(257)
At 31 December 2020	1,378	230	1,608
Net book value:			
At 31 December 2019	7,849	254	8,103
At 31 December 2020	7,160	453	7,613

16. Debtors

	Notes	*2020 £000*	*2019 £000*
Trade debtors		-	62,485
Amounts owed by parent undertakings		756	524
Amounts owed by fellow undertakings		1,484	1,910
Prepayments and accrued income		1,193	711
Deferred tax (note 11(c))		335	255
Other tax receivable		219	366
Derivative financial instruments	24	4	14
		3,991	66,265

On 1 March 2020, the Company entered into a securitisation programme. All receivables are transferred to a vehicle (SPV in Netherlands) for the nominal amount less a discount composed of a financial cost (0.3%). This transfer qualifies for a de-recognition under FRS 101 as the Company transfers all the risks and rewards inherent to the property of the receivables to the vehicle.

The Company is still in charge of the collection of such receivables on behalf of the vehicle and receives £108,065 per year as a servicing fee and recovery fee.

The Company had securitised its debtors' balance of £61,331,000 as part of the securitisation programme driven by the fellow undertaking Arrow EMEA Funding Corp. BV.

At the end of the year the amount owed to the securitisation agent was £16,509,000.

Notes to the financial statements
at 31 December 2020

17. Creditors: amounts falling due within one year

	Notes	*2020* *£000*	*2019* *£000*
Trade creditors		481	831
Other creditors		2	23
Amounts owed to parent undertakings		72	11,619
Amounts owed to fellow undertakings		36,019	19,188
Other taxation and social security		6,717	8,871
Accruals and deferred income		2,656	2,694
Derivative financial instruments	24	4	20
Lease liability current portion		826	790
Trade and other payables		46,777	44,036
Bank overdrafts		31	20,516
Loans and borrowings		31	20,516

18. 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 £1,050,000 (2019: £1,075,000).

The unpaid contributions outstanding at the year end, included in 'Accruals and deferred income' (note 17) are £342,000 (2019: £224,000).

19. Provisions for liabilities and charges

	2020 *£000*
At 1 January	(30)
Arising during the year	225
Utilised in the year	(207)
At 31 December	(12)

At 31 December 2020 the provision represents personnel restructuring costs.

20. Lease liabilities

	Total *£000*
Cost	
At 1 January 2020	8,595
Additions	428
Interest charged	451
Lease payments	(1,397)
Modification/adjustments	(25)
At 31 December 2020	8,052

Notes to the financial statements
at 31 December 2020

20. Lease liabilities (Continued)

The present value of lease liabilities by repayment date is as follows.

	Total
	£000
Lease liabilities are repayable:	
Payable within one year	826
Payable more than one year	7,226
	8,052

The discount rates for the leases disclosed above ranged from 1.17.% to 5.62%. The company has several lease contracts that include termination options, usually through a break clause. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and adapt to the company's business needs. Management exercises judgement in determining whether these termination options are reasonably certain to be exercised.

21. Related party transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS 101 by not disclosing transactions with entities of the group qualifying as related parties. There are no other related party transactions requiring disclosure.

22. Share capital

		Authorised
	2020	*2019*
	£000	*£000*
Ordinary shares of £1 each	5,500	5,500

	Allotted, called up and fully paid			
		2020		*2019*
	No.	*£000*	*No.*	*£000*
Ordinary shares of £1 each	5,500,002	5,500	5,500,002	5,500

Notes to the financial statements
at 31 December 2020

23. Reconciliation of shareholders' funds and movement on reserves

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Equity reserve £000	Cash flow hedge reserve £000	Total £000
At 1 January 2019	5,500	16,500	53,509	3,773	-	79,282
Profit for the financial year	-	-	8,186	-	-	8,186
Total comprehensive income	-	-	8,186	-	-	8,186
Dividend payable	-	-	(50,000)	-	-	(50,000)
Share-based payments	-	-	-	66	-	66
At 31 December 2019	5,500	16,500	11,695	3,839	-	37,534
Profit for the financial year	-	-	7,840	-	-	7,840
Total comprehensive income	-	-	7,840	-	-	7,840
Share-based payments	-	-	-	26	-	26
At 31 December 2020	5,500	16,500	19,535	3,865	-	45,400

Share premium account
The share premium account represents the balance above the par value of the issued share capital. There is no movement in the share premium account during the year.

Equity reserve
The equity reserve is used to record the charges for share based payments.

Cash flow hedge reserve
There is no movement in cash flow hedge reserve account, as company is not involved in cash flow hedging anymore.

24. Derivative financial instruments

The company purchases foreign currency contracts to hedge currency exposure on its net foreign currency asset position. Under this method, the gain or loss on a hedging instrument is recorded in profit and loss.

The fair values of the derivatives held at the balance sheet date, determined by reference to their market values, are as follows:

	2020 *£000*	*2019* *£000*
Foreign currency exchange forward contracts:		
Assets	4	14
Liabilities	(4)	(20)
Included in Profit and Loss	-	(6)

Notes to the financial statements
at 31 December 2020

25. Ultimate parent company

Arrow Electronics (UK) Limited is a 100% subsidiary of Arrow Electronics Limited (formerly Arrow Electronics UK Holding Limited), which is the domestic parent company of Arrow Electronics (UK) 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.
9201 E. Dry Creek Road,
Centennial
Colorado
80112
USA