

Registered Number: 3985622

Memec Group Limited
Annual report
for the year ended 31 December 2005



Memec Group Limited

Annual report for the year ended 31 December 2005

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Directors' report for the year ended 31 December 2005

The directors present their report and the audited financial statements of the company for the year ended 31 December 2005.

Principal activities, business review and future developments

The principal activity of the company during the year was to act as an intermediate holding company and treasury services company for its subsidiaries whose principal activities are the marketing and distribution of advanced semiconductor products.

The directors consider the trading results for the year, and the company's financial position at the end of the year to be in line with expectations and are shown in the attached financial statements.

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

Results and dividends

The company's profit for the year is \$130,967,000 (2004: loss \$13,020,000) which will be added to reserves.

The directors do not recommended the payment of a final dividend (2004: \$nil).

Change of Control

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

On 5 July 2005 Avnet Inc. completed the purchase of all of the issued share capital of Memec Group Holdings Limited.

Directors and their interests

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

D M Ashworth	(resigned 5 July 2005)
E P Krawitt	(resigned 5 July 2005)
R B Stevenson	(resigned 5 July 2005)
R J Sadowski	(appointed 5 July 2005)
R N Taylor	(appointed 5 July 2005)

The interests of R J Sadowski who is also a director of Avnet Holding UK Limited is shown in the annual report of that company.

The interests of R N Taylor who is also a director of Avnet Holding UK Limited is shown in the annual report of that company.

No other directors have any beneficial interest in the shares of the company, or any other group companies, that require disclosure under Schedule 7 of the Companies Act 1985.

Memec Group Limited

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Directors' report for the year ended 31 December 2005 (continued)

Directors and their interests (continued)

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

Date of grant	Expiry date	Exercise price	Number at 31 December 2004	Cancelled in period	Number at 31 December 2005
E P Krawitt					
21 August 2001	21 August 2011	\$3.00	100,000	100,000	0
10 December 2003	10 December 2013	\$2.27	7,306	7,306	0
			107,306	107,306	0

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

Employees

During the year, the policy of providing employees with information about the company has been continued through the company's intranet site. Regular meetings are held between management and employees to allow a free flow of information and ideas.

The company recognises the importance of non-discriminatory employment practice and has an equal opportunities policy that includes the employment of people with disabilities. The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Pricewaterhouse Coopers LLP resigned as auditors following the takeover and CLB Littlejohn Frazer were appointed as auditors to the company. CLB Littlejohn Frazer will not offer themselves for re-appointment as auditors to the company and a resolution to appoint KPMG LLP as auditors to the company will be proposed at the Annual General Meeting.

By order of the Board

R N Taylor
Director

20 March 2006

Taylor

Independent auditors' report to the members of Memec Group Limited

We have audited the Financial Statements of Memec Group Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the accounting policies and the related notes to, set out on pages 5 to 15. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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



Opinion

In our opinion the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year ended and have been properly prepared in accordance with the Companies Act 1985.



CLB Littlejohn Frazer
Chartered Accountants and Registered Auditors
1 Park Place
Canary Wharf
London E14 4HJ

20 March 2006



**Profit and loss account
for the year ended 31 December 2005**

	Notes	Year ended 31 December 2005 \$'000	Year ended 31 December 2004 \$'000
Administrative expenses		(3,802)	(9,378)
Other operating expenses		(737)	(350)
Other operating income		-	-
Operating loss	2	(4,539)	(9,728)
Income from shares in group undertakings	3	-	56,000
Profit on disposal of fixed asset investments		194,199	-
Impairment in value of fixed asset investments		(1,124)	-
Interest receivable and similar income	6	26,572	23,458
Interest payable and similar charges	7	(91,677)	(97,789)
Profit/(Loss) on ordinary activities before taxation		123,431	(28,059)
Tax credit on profit/(loss) on ordinary activities	8	7,536	15,039
Profit/(Loss) for the financial year	17	130,967	(13,020)

The company has no recognised gains or losses other than the loss for the year as set out above and therefore no separate statement of total recognised gains or losses has been presented.

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year and their historical cost equivalents.

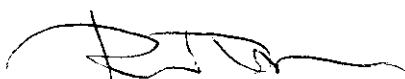
All of the activities of the company are derived entirely from continuing operations.

RJD

Balance sheet as at 31 December 2005

	Notes	2005 \$'000	2004 \$'000
Fixed assets			
Tangible assets	9	-	10
Investments	10	108,822	278,098
		108,822	278,108
Current assets			
Debtors			
- due after more than one year	11	-	584,910
- due within one year	11	142,376	34,238
Cash at bank and in hand		1,749	19,000
		144,125	638,148
Creditors: Amounts falling due within one year	12	(212,731)	(154,136)
Net current assets		(68,606)	484,015
Total assets less current liabilities		40,216	762,120
Creditors: Amounts falling due after more than one year	13	-	852,871
Capital and reserves			
Called-up share capital	16	39,200	39,200
Profit and loss account	17	1,016	(129,951)
Total shareholders' funds	18	40,216	(90,751)
Total Shareholders' funds and long term liabilities		40,216	762,120

The financial statements on pages 5 to 15 were approved by the board of directors on 20 March 2006 and were signed on its behalf by:



R N Taylor
Director



**Notes to the financial statements
for the year ended 31 December 2005****1 Accounting policies**

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the UK. The financial statements have been drawn up on a going concern basis as the company's ultimate holding company has confirmed its intention to support the company so as to ensure that it meets all its liabilities as they fall due for at least twelve months from the date of approval of the financial statements.

The principal accounting policies, which have been applied consistently throughout the year, are set out below:

Basis of accounting

The functional currency of the company is US dollars and accordingly the amounts in the financial statements are denominated in that currency. The balance sheet rate of exchange for the US dollar to UK Sterling was £1 = \$1.724 (2004: £1 = \$1.929).

Cash flow statement

The company is a wholly-owned subsidiary of Avnet Holding UK Limited and is included in the consolidated financial statements of Avnet Holding UK Limited which are publicly available. Consequently, the company has applied the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard ('FRS') No 1 (revised 1996).

Tangible fixed assets

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

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

Plant, equipment and vehicles	15%-33%
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Related party transactions

Transactions between the company and other group companies have not been disclosed in accordance with the exemption in FRS 8 on the grounds that it is a wholly owned subsidiary of Avnet Holding UK Limited, whose accounts are publicly available.

Deferred taxation

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

Deferred tax is only provided on the earnings of overseas subsidiaries to the extent that there is a binding commitment to remit the earnings to the UK.

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



**Notes to the financial statements
For the year ended 31 December 2005 (continued)**

Accounting policies (continued)

Foreign currencies

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

Investments

Investments held as fixed assets are stated at cost plus any acquisition expenses less any provision for impairment.

Pension costs

The Memec group in the UK operates a defined contribution pension scheme for employees to which the company contributes. The assets of the scheme are held separately from those of the group in an independently administered fund. The annual contributions payable are charged to the profit and loss account as incurred and are disclosed in note 4.

Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes.

For a forward exchange contract to be treated as a hedge, the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the group's operations. Gains and losses arising on these contracts are recognised in the profit and loss account when the hedged transaction is recognised.

For an interest rate swap or cap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contract

Capital instruments

Secured bank loans and debenture loans are stated net of unamortised issue costs. These costs together with the interest expense are allocated to the profit and loss account over the period of the loans in proportion to the total finance charge.

The difference between the net proceeds of a capital instrument and the payments that the group will be required to make are allocated over the term of the instrument at a constant rate.

Group accounts

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

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Notes to the financial statements

For the year ended 31 December 2005 (continued)

2 Operating loss

	2005 \$'000	2004 \$'000
Operating loss is stated after charging:		
Auditor's remuneration – audit	68	175
Depreciation – owned assets	22	235
Foreign exchange losses	737	350

3 Income from shares in group undertakings

	2005 \$'000	2004 \$'000
Dividends	-	56,000

4 Particulars of employees

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

	2005 Number	2004 Number
Administration	3	8

The aggregate payroll costs of the above were:

	2005 \$'000	2004 \$'000
Wages and salaries	236	930
Social security costs	43	131
Other pension costs	38	44
	317	1,105

5 Directors' emoluments

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

	2005 \$'000	2004 \$'000
Aggregate emoluments	213	159
Value of company pension contributions to money purchase schemes	38	1
	251	160

Company pension contributions have been made to money purchase schemes in respect of one director.

Emoluments of highest paid director:

	2005 \$'000	2004 \$'000
Aggregate emoluments	213	143
Value of company pension contributions to money purchase schemes	38	1

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Notes to the financial statements
For the year ended 31 December 2005 (continued)

Directors' emoluments (continued)

The emoluments of D M Ashworth, E P Krawitt, R J Sadowski, and R N Taylor were borne by other group companies for services provided to the group as a whole.

No director exercised share options during the year.

6 Interest receivable and similar income

	2005 \$'000	2004 \$'000
Bank interest receivable	227	81
Interest receivable from group undertakings	26,345	23,377
	26,572	23,458

7 Interest payable and similar charges

	2005 \$'000	2004 \$'000
Interest payable on bank borrowing	11,500	9,727
Interest payable to group undertakings	73,858	82,135
Amortisation of issue costs of bank borrowing	6,319	5,927
	91,677	97,789

8 Total current tax credit

	2005 \$'000	2004 \$'000
UK Corporation Tax:		
UK Group Relief Received at 30% (2004: 30 %)	(7,678)	(15,127)
Adjustment in respect of prior periods	-	-
	(7,678)	(15,127)
Foreign Tax:		
Foreign Taxes suffered	142	88
Total current tax credit	(7,536)	(15,039)

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Notes to the financial statements
For the year ended 31 December 2005 (continued)

Total current tax credit (continued)

The tax credit for the year is different from the UK corporation tax rate of 30%. The differences are explained below:

	2005 \$'000	2004 \$'000
Loss on ordinary activities before tax	123,431	(28,059)
Profit/(loss) on ordinary activities multiplied by standard rate in the UK 30% (2003: 30%)	37,029	(8,418)
Effect of:		
Non deductible expenses	152	1,615
Non deductible impairment in investment in subsidiary	337	
Accelerated capital allowances	(213)	72
Double tax relief	-	(1,996)
Foreign tax taken as an expense	142	88
Income not taxable – UK dividends	-	(12,300)
Non taxable profit on disposal of investment	(58,259)	-
Tax losses restricted on change in ownership	6,845	
Tax losses carried forward to future periods	6,431	5,900
Adjustment to tax charge in respect of previous period	-	-
Total current tax payable/(credit)	(7,536)	(15,039)

9 Tangible assets

	Plant, equipment \$'000
Cost	
At 1 January 2005	719
Additions	12
Disposals	(731)
At 31 December 2005	-
Accumulated depreciation	
At 1 January 2005	709
Charge for the year	22
Disposals	(731)
At 31 December 2005	-
Net book amount	
At 31 December 2005	-
At 31 December 2004	10

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Notes to the financial statements
For the year ended 31 December 2005 (continued)

10 Investments

Shares in Group undertakings	2005 \$'000	2004 \$'000
At 1 January	278,098	158,484
Additions	4,948	119,614
Disposals	(173,100)	-
Impairment charge	(1,124)	-
At 31 December	108,822	278,098

Following the acquisition of Memec Group Holdings Limited by Avnet Inc, the Group undertook a corporate re-structuring in order to rationalize the holding company structure.

Memec Group Limited acquired the shares in Memec New Zealand Pty Limited from a fellow subsidiary company, Memec Pty Limited.

Memec Group Limited transferred the shares that it held in Memec US Holdings Inc, Memec Europe Limited, Memec Electronic Components (Asia Pacific) Limited, Memec Holdings BV, Memec South Africa Pty Limited, Memec Nederland Bv, Memec Inicore Gmbh, and Memec Gmbh (Switzerland) to Memec Holdings Limited, a fellow subsidiary company.

Memec Group Limited transferred the shares that it held in Memec Gmbh (Germany) to Avnet Holdings Germany GmbH, a fellow subsidiary company.

All transactions were undertaken at fair market value.

The Company incurred an impairment charge of \$1,124,000, which represents the write down of investments in the shares of Memec Poland s.p.z.oo and Memec Belgium NV to the net realizable value as at 31 December 2005.

Details of principal subsidiary undertakings as at 31 December 2005 are shown in note 22.

11 Debtors

	2005 \$'000	2004 \$'000
Amounts falling due within one year:		
Amounts owed by group undertakings	135,758	33,462
Other debtors	6,618	776
	142,376	34,238
Amounts falling due after more than one year:		
Amounts owed by group undertakings	-	584,910
	142,376	619,148

Amounts owed by group undertakings due after more than one year are unsecured and carry interest at commercial rates based on LIBOR.

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Notes to the financial statements
For the year ended 31 December 2005 (continued)

12 Creditors: Amounts falling due within one year

	2005 \$'000	2004 \$'000
Bank loans (note 14)	-	1,664
Amounts due to group undertakings	209,657	143,595
Accruals and deferred income	3,074	8,877
	212,731	154,136

Amounts due to group undertakings are unsecured, repayable on demand and carry interest at commercial rates based on LIBOR.

13 Creditors: Amounts falling due after more than one year

	2005 \$'000	2004 \$'000
Bank loans (note 14)	-	192,146
Amounts due to group undertakings	-	660,725
	-	852,871

The Company's bank loans were re-paid in July 2005.

Amounts owed to group undertakings due after more than one year are unsecured and carry interest at commercial rates based on LIBOR.

14 Maturity of Debt

	2005 \$'000	2004 \$'000
In one year or less, or on demand	-	1,664
In more than one year, but not more than two years	-	2,000
In more than two years, but not more than five years	-	149,000
In more than five years	-	48,000
Issue costs	-	(6,854)
	-	193,810

15 Deferred taxation

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

	Amount unrecognised	
	2005 \$'000	2004 \$'000
Tax effect of timing differences:	-	-
Tax losses not recognised	6,431	37,607
	6,431	37,607

RTD

Notes to the financial statements**For the year ended 31 December 2005 (continued)**

No deferred tax is recognised on the un-remitted earnings of overseas subsidiaries. Earnings are continually reinvested abroad, and no tax is expected to be payable on them in future periods

The Company has tax losses arising in the UK of US\$21,438,000 (2004 – US\$125,357,000) that are available to carry forward and off-set against future taxable profits of the Company. Deferred tax assets have not been recognised in respect of these losses as there is insufficient certainty over the timing and extent of future profits.

16 Called up share capital**Authorised:**

	2005	2004
	\$'000	\$'000
39,200,002 ordinary shares of US\$1 each	39,200	39,200

Allotted, called up and fully paid:

	2005	2004
	\$'000	\$'000
39,200,002 ordinary shares of US\$1 each	39,200	39,200

17 Profit and loss account

	2005	2004
	\$'000	\$'000
At 1 January 2005	(129,951)	(116,931)
Profit/(Loss) for the financial year	130,967	(13,020)
At 31 December	1,016	(129,951)

18 Reconciliation of movements in shareholders' funds

	2005	2004
	\$'000	\$'000
Opening shareholders' funds	(90,751)	(77,731)
Profit/(Loss) for the financial year	130,967	(13,020)
Closing equity shareholders' funds/(deficit)	40,216	(90,751)

Notes to the financial statements**For the year ended 31 December 2005 (continued)****19 Ultimate parent undertaking and controlling party**

The immediate parent undertaking of Memec Group Limited is Avnet Holdings UK Limited.

The ultimate parent undertaking and controlling party of Memec Group Limited is Avnet Inc. The consolidated financial statements of Avnet Inc are publicly available and can be obtained from Avnet Inc, 2211 South 47th Street, Phoenix, USA. The smallest group in which the accounts are consolidated is Avnet UK Holding Limited. These are available from Avent House, Rutherford Close, Meadway, Stevenage, Hertfordshire, SG1 2EF.

20 Pensions

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

In the year, the company made contributions of \$21,000 (2004: \$44,000). There were no amounts outstanding at 31 December 2005 (2004: \$ Nil).

21 Contingent liabilities

The company and certain other group companies had jointly guaranteed bank and other borrowings of the group as at 31 December 2004. The Company was released from these guarantees in July 2005.

There were no other contingent liabilities at 31 December 2005 (2004: \$nil).

22 Subsidiary undertakings

Subsidiary undertakings	Principal activity	Country of incorporation	Proportion held by parent company
Memec Belgium NV	Trading company	Belgium	100%
Memec Japan KK	Trading company	Japan	100%
Memec (NZ) Limited	Trading company	New Zealand	100%
Memec Polska Sp.z.oo	Trading Company	Poland	100%
Memec Overseas Holdings Limited	Investment company	United Kingdom	100%

The principal activity of all trading companies is design solutions and the marketing and distribution of specialised semiconductor products.

