Company Registration No. 2493132

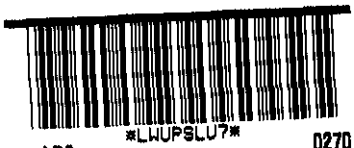
Deloitte & Touche

AVNET APPLIED COMPUTING LIMITED

Report and Financial Statements

for the year ended 30 June 2002

Deloitte & Touche
London



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AVNET APPLIED COMPUTING LIMITED

Deloitte & Touche

REPORT AND FINANCIAL STATEMENTS 2002

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REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

E B Kamins
M Gower
D R Birk
D A Rapier
R J Crane

SECRETARY

W C Griffin

REGISTERED OFFICE

5 The Sterling Centre
Eastern Road
Bracknell
Berkshire
RG12 2PW

BANKERS

Barclays Bank PLC

SOLICITORS

Pitmans
Reading

AUDITORS

Deloitte & Touche
Chartered Accountants
London

Deloitte & Touche

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 30 June 2002.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company during the year was the distribution of electrical equipment.

On the 1 July 2001 the trading activity of Avnet Computer Solutions, a division of EBV Electronik GMBH, a fellow subsidiary, was transferred to the company for nil consideration. Further, on 1 August 2001 the trading activity of the Avnet Computer Components, a division of Avnet Electronic Marketing Limited, a fellow subsidiary, was transferred to the company for nil consideration.

The directors expect the general level of activity for each division of the company to continue for the foreseeable future.

RESULTS AND DIVIDENDS

The trading results of the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors do not recommend the payment of a dividend (2001 – £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year are shown below:

E B Kamins
M Gower
D R Birk
D A Rapier
R J Crane

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

AUDITORS

Arthur Andersen resigned as auditors on 31 July 2002 and Deloitte & Touche were appointed in their place. It is the intention of the directors to replace Deloitte & Touche with KPMG and a resolution to appoint KPMG will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

W.C. Griffin

W C Griffin

Company Secretary

5 The Sterling Centre
Eastern Road
Bracknell
Berkshire
RG12 2PW

29th May 2003

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& Touche

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

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

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVNET APPLIED COMPUTING LIMITED

We have audited the financial statements of Avnet Applied Computing Limited for the year ended 30 June 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, 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 members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
London

29 May 2003

Deloitte & Touche

PROFIT AND LOSS ACCOUNT
Year ended 30 June 2002

	Note	Year ended 30 June 2002 Continuing operations	Acquisitions	Total	18 month period ended 30 June 2001
		£	£	£	£
TURNOVER	1, 2	24,642,690	37,216,422	61,859,112	53,569,197
Cost of sales		(20,682,333)	(34,396,209)	(55,078,542)	(46,441,531)
Gross profit		3,960,357	2,820,213	6,780,570	7,127,666
Distribution costs		(2,421,199)	(1,758,002)	(4,179,201)	(3,607,107)
Administrative expenses		(526,734)	(658,373)	(1,185,107)	(464,132)
OPERATING PROFIT	3	1,012,424	403,838	1,416,262	3,056,427
Finance (expense)/income (net)	6	(71,891)	-	(71,891)	110,669
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		940,533	403,838	1,344,371	3,167,096
Tax on profit on ordinary activities	7	(306,833)	(120,000)	(426,833)	(986,125)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE FINANCIAL YEAR/PERIOD	19	633,700	283,838	917,538	2,180,971

The company has no recognised gains or losses other than the profit for each period as set out above.

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BALANCE SHEET
Year ended 30 June 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	8	191,860	278,423
CURRENT ASSETS			
Stocks	9	2,409,269	2,724,872
Debtors	10	14,431,921	4,635,978
Cash at bank and in hand		1,128,905	1,143,928
		17,970,095	8,504,778
CREDITORS: amounts falling due within one year	11	(9,716,417)	(3,305,201)
NET CURRENT ASSETS		8,253,678	5,199,577
TOTAL ASSETS LESS CURRENT LIABILITIES		8,445,538	5,478,000
CREDITORS: amounts falling due after more than one year	12	(5,282,698)	(3,232,698)
NET ASSETS		3,162,840	2,245,302
CAPITAL AND RESERVES			
Called up share capital	18	123,285	123,285
Profit and loss account	19	3,039,555	2,122,017
EQUITY SHAREHOLDERS' FUNDS	20	3,162,840	2,245,302

These financial statements were approved by the Board of Directors on 29/5/2003.

Signed on behalf of the Board of Directors

M Gower
Director

NOTES TO THE ACCOUNTS
Year ended 30 June 2002

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding period except where stated.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No. 1(revised) from including a cash flow statement in the financial statements on the grounds that the company is a wholly owned subsidiary of Avnet Inc. which prepares a consolidated cashflow statement that is available to the public.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of value added tax.

Depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its estimated useful economic life, as follows:

Plant and equipment	20% - 50%

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is the moving average price of the stock and net realisable value is based on selling price less all further costs expected to be incurred including all marketing, selling and distribution costs.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits in equal annual amounts over the term of the lease.

Pension costs

The Avnet group 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. The annual contributions payable are charged to the profit and loss account.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided for at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

The company's accounting policy in respect of deferred taxation was revised during the year following the implementation of Financial Reporting Standard No. 19 (FRS 19) (Deferred tax). Deferred taxation is provided at the anticipated tax rates on timing differences arising. However, FRS 19 states that deferred tax assets should only be recognised if it is more likely than not that they will reverse in the future. The adoption of FRS 19 has had no impact on the prior year results.

Foreign currencies

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

NOTES TO THE ACCOUNTS
Year ended 30 June 2002

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below.

	Year ended 30 June 2002 £	18 month period ended 30 June 2001
United Kingdom	53,660,757	52,213,198
Overseas	8,198,355	1,355,999
	61,859,112	53,569,197

3. OPERATING PROFIT

Operating profit is stated after charging:

	Year ended 30 June 2002 £	18 month period ended 30 June 2001
Depreciation	146,928	96,552
Auditors' remuneration – audit	11,900	20,000
Operating lease rentals		
- land and buildings	121,316	109,946
- plant and equipment	82,613	102,665

4. STAFF COSTS

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

	Year ended 30 June 2002 £	18 month period ended 30 June 2001
Distribution	29	24
Administration	-	4
	29	28

4. STAFF COSTS (continued)

	Year ended 30 June 2002 £	18 month period ended 30 June 2001
Employee costs during the year amounted to:		
Wages and salaries	1,806,156	1,690,986
Social security costs	186,924	176,952
Other pension costs	39,913	36,020

NOTES TO THE ACCOUNTS
Year ended 30 June 2002

	2,032,993	1,903,958

5. DIRECTORS' REMUNERATION

Directors' remuneration was paid in respect of directors of the company as follows:

	Year ended 30 June 2002 £	18 month period ended 30 June 2001
Emoluments	197,490	302,260
Value of company pension contributions to money purchase schemes	4,872	6,885
	202,362	309,145

The emoluments of the highest paid director in respect of qualifying services were:

	Year ended 30 June 2002 £	18 month period ended 30 June 2001
Emoluments	197,490	302,260
Value of company pension contributions to money purchase schemes	4,872	6,885
	202,362	309,145

Retirement benefits were accruing to one director (2001 – one) under a money purchase pension scheme.

NOTES TO THE ACCOUNTS
Year ended 30 June 2002

6. FINANCE (EXPENSE)/INCOME (NET)

	Year ended 30 June 2002 £	18 month period ended 30 June 2001
Other interest received	49,071	32,197
Interest from group undertakings	-	84,762
	49,071	116,959
Interest paid to group undertaking	(119,169)	(6,290)
Other interest	(1,793)	-
Finance (expense)/income (net)	(71,891)	110,669

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	Year ended 30 June 2002 £	18 month period ended 30 June 2001
United Kingdom corporation tax at 30% (prior period 30%) based on the profit for the year/period	184,939	986,125
Group relief	241,894	-
Total tax on profit on ordinary activities	426,833	986,125

The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK: 30% (prior period: 30%).

The differences are shown below:

	Year ended 30 June 2002 £	18 month period ended 30 June 2001
Profit on ordinary activities before tax	1,344,371	3,167,096
Tax at 30% thereon	(403,311)	(950,129)
Effects of:		
Expenses not deductible for tax purposes	(11,468)	(35,996)
Depreciation in excess of capital allowances	(12,054)	-
Current tax charge for the year/ period	(426,833)	(986,125)

NOTES TO THE ACCOUNTS
Year ended 30 June 2002

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

A deferred tax asset has not been recognised in respect of timing differences relating to depreciation in excess of capital allowances as there is insufficient evidence that there will be suitable taxable profits within the UK group from which the future reversal of underlying timing differences can be deducted. The amount not recognised is: £38,518 (prior period: £26,464). The asset would be recovered if suitable profits arose in the future.

Corporation tax payable is provided on taxable profits at the current rate, except to the extent that the losses are transferred from another group company under the group relief provisions, with corresponding payment by the claimant company.

8. TANGIBLE FIXED ASSETS

The movement in the year was as follows:

	Plant and equipment £
Cost	
At 1 July 2001	507,314
Additions	60,365
At 30 June 2002	567,679
Depreciation	
At 1 July 2001	228,891
Charge for the year	146,928
At 30 June 2002	375,819
Net book value	
At 30 June 2002	191,860
At 30 June 2001	278,423

9. STOCKS

	2002 £	2001 £
Goods for resale	2,409,269	2,724,872

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

10. DEBTORS

	2002 £	2001 £
Trade debtors	9,731,656	4,125,376
Amounts owed by group undertakings	4,584,272	-
Prepayments and accrued income	51,698	510,602
Other debtors	64,295	-
	14,431,921	4,635,978

NOTES TO THE ACCOUNTS
Year ended 30 June 2002

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade creditors	2,648,278	1,574,185
Amounts owed to group undertakings	4,259,482	130,352
Group relief payable	615,377	306,227
Corporation tax payable	-	399,982
Other taxes and social security	1,552,307	275,046
Accruals and deferred income	640,973	619,409
	9,716,417	3,305,201

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £	2001 £
Amounts owed to group undertakings	5,282,698	3,232,698

The loan is unsecured and shall rank for payment upon the winding up of the company after all unsecured creditors have been paid. The loan is repayable upon twelve months' notice.

13. PENSIONS

Benefits from the group's contributory pension scheme to which the company contributes are related to the cash value of the funds at retirement dates and the group is under no obligation to provide any minimum level of benefits. The assets of the scheme are administered by trustees in funds independent of the group. Contributions to the pension scheme in 2002 were £39,913 (2001 - £36,020).

14. COMMITMENTS UNDER OPERATING LEASES

At 30 June 2002 the company had annual commitments under non-cancellable operating leases as set out below:

	2002		2001	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Operating leases which expire:				
- within 1 year	-	5,903	-	17,334
- within 2-5 years	-	60,609	-	42,351
- after more than 5 years	70,500	-	71,933	-
	70,500	66,512	71,933	59,685

15. CONTINGENCIES

There were no contingent liabilities at 30 June 2002 or at 30 June 2001.

NOTES TO THE ACCOUNTS
Year ended 30 June 2002

16. RELATED PARTY TRANSACTIONS

No disclosure of transactions with group related parties is required under the exemption afforded by Financial Reporting Standard No. 8 for subsidiaries where at least 90% of the voting rights are held within the group.

17. CAPITAL COMMITMENTS

The directors have confirmed that there were no capital commitments at 30 June 2002 or at 30 June 2001.

18. CALLED-UP SHARE CAPITAL

	2002 £	2001 £
Authorised		
150,000 ordinary shares of £1 each	150,000	150,000
Allotted, called up and fully paid		
123,285 ordinary shares of £1 each	123,285	123,285

19. PROFIT AND LOSS ACCOUNT

	2002 £	2001 £
Balance brought forward	2,122,017	(58,954)
Retained profit for the financial year/period	917,538	2,180,971
Balance carried forward	3,039,555	2,122,017

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year/period	917,538	2,180,971
Opening shareholders' funds	2,245,302	64,331
Closing shareholders' funds	3,162,840	2,245,302

21. ULTIMATE PARENT COMPANY

The ultimate parent company of Avnet Applied Computing Limited is Avnet Inc, a company incorporated in the United States of America.

The largest group in which the results of Avnet Applied Computing Limited are consolidated is that headed by Avnet Inc. The consolidated accounts of this group are available to the public and may be obtained from Avnet Inc., 2211 South 47th Street, Phoenix, USA. The smallest group in which they are consolidated is that headed by Electron House (Overseas) Limited, the company's immediate parent, registered in England and Wales. The consolidated accounts of this group are available to the public and may be obtained from Companies House or from the address above.