

**AVNET LOGISTICS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 2 JULY 2016**

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<b>AVNET LOGISTICS LIMITED</b>
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**COMPANY INFORMATION**

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**DIRECTORS**

W Crowell  
M McCoy  
P Bielefeld

**REGISTERED NUMBER**

05944260

**REGISTERED OFFICE**

Avnet House  
Rutherford Close  
Stevenage  
Hertfordshire  
SG1 2EF

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**AVNET LOGISTICS LIMITED**

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## AVNET LOGISTICS LIMITED

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### DIRECTORS' REPORT FOR THE PERIOD ENDED 2 JULY 2016

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The Directors present their report and the financial statements for the period ended 2 July 2016.

#### DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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.

#### PRINCIPAL ACTIVITY

The company's principal activity for the financial period was the provision of distribution services for the Avnet Electronics Marketing EMEA group.

The company has no branches outside of the United Kingdom.

#### RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £247k (2015 - loss £117k).

The directors do not recommend the payment of a dividend (2015: none).

#### DIRECTORS

The Directors who served during the period were:

W Crowell  
M McCoy  
P Bielefeld

#### FUTURE DEVELOPMENTS

The company remains engaged in the provision of distribution services which it continues to operate profitably. The company will continue to support the old defined benefit pension scheme through the buy-out and wind-up exercise, which is now nearing completion.

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**AVNET LOGISTICS LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE PERIOD ENDED 2 JULY 2016**

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**DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**POST BALANCE SHEET EVENTS**

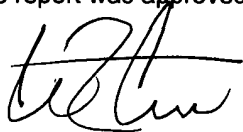
On 30th September 2016 the company was sold to two fellow group companies, Avnet Holdings UK Limited and Memec Group Holdings Limited, with 50% of the share capital in each company being sold to each.

**AUDITORS**

The auditors, BDO LLP, statutory auditor, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

In preparing this directors' report advantage has been taken of the small companies exemption.

This report was approved by the board on 16 December 2016 and signed on its behalf.



**W Crowell**  
Director

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<b>AVNET LOGISTICS LIMITED</b>
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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AVNET LOGISTICS LIMITED**

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We have audited the financial statements of Avnet Logistics Limited for the period ended 2 July 2016 which comprise the statement of comprehensive income, statement of financial position, statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

**SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 2 July 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with those financial statements.

Based on our knowledge and understanding of the company and its environment obtained during the course of the audit we have identified no material misstatements in the directors' report.

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**AVNET LOGISTICS LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AVNET LOGISTICS LIMITED  
(CONTINUED)**

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**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime and to the exemption from the requirement to prepare a Strategic Report.
- the Directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

BDO LLP

David Butcher (Senior Statutory Auditor)

for and on behalf of

**BDO LLP, statutory auditor**

London

United Kingdom

Date: 16 December 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

<b>AVNET LOGISTICS LIMITED</b>
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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 2 JULY 2016**

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	Note	2016 £000	2015 £000
Turnover	4	3,780	3,532
<b>GROSS PROFIT</b>		<b>3,780</b>	<b>3,532</b>
Distribution costs		(2,407)	(2,180)
Administrative expenses		(1,289)	(1,242)
Other operating income	5	422	146
Other operating charges		(110)	(25)
Exceptional other operating charges		(75)	(399)
<b>OPERATING PROFIT/(LOSS)</b>	6	<b>321</b>	<b>(168)</b>
Interest payable and similar charges	8	(12)	(9)
Other finance charges on defined benefit pension scheme		(2)	-
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>307</b>	<b>(177)</b>
Tax on profit/(loss)	10	(60)	60
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>247</b>	<b>(117)</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>			
Impact of defined benefit pension scheme		(22)	177
Movement on deferred tax asset relating to pension scheme		13	(13)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(9)</b>	<b>164</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>238</b>	<b>47</b>

The notes on pages 9 to 35 form part of these financial statements.



**AVNET LOGISTICS LIMITED**  
**REGISTERED NUMBER: 05944260**

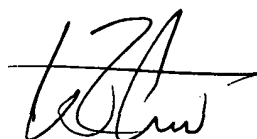
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 2 JULY 2016**

	Note	£000	2 July 2016 £000	£000	27 June 2015 £000
<b>FIXED ASSETS</b>					
Tangible assets	12		2,216		2,291
			<u>2,216</u>		<u>2,291</u>
<b>CURRENT ASSETS</b>					
Debtors: amounts falling due within one year	13	659		633	
		<u>659</u>		<u>633</u>	
Creditors: amounts falling due within one year	14	(1,201)		(1,341)	
			<u>(542)</u>		<u>(708)</u>
<b>NET CURRENT LIABILITIES</b>					
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,674</u>		<u>1,583</u>
Pension liability	20		-		(162)
<b>NET ASSETS</b>			<u>1,674</u>		<u>1,421</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		18,000		18,000
Revaluation reserve	18		278		278
Profit and loss account	18		(16,604)		(16,857)
			<u>1,674</u>		<u>1,421</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

16 December 2016.



**W Crowell**  
Director

The notes on pages 9 to 35 form part of these financial statements.

<b>AVNET LOGISTICS LIMITED</b>
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**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 2 JULY 2016**

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	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 28 June 2015	18,000	278	(16,857)	1,421
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>				
Profit for the period	-	-	247	247
Impact of defined benefit pension scheme (after deferred tax adjustment)	-	-	(9)	(9)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	-	-	(9)	(9)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	-	-	238	238
Share scheme charge	-	-	15	15
<b>TOTAL TRANSACTIONS WITH OWNERS</b>	-	-	15	15
<b>AT 2 JULY 2016</b>	<b>18,000</b>	<b>278</b>	<b>(16,604)</b>	<b>1,674</b>

The notes on pages 9 to 35 form part of these financial statements.

<b>AVNET LOGISTICS LIMITED</b>
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**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 27 JUNE 2015**

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	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 29 June 2014	18,000	278	(16,909)	1,369
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>				
Loss for the period	-	-	(117)	(117)
Impact of defined benefit pension scheme (after deferred tax adjustment)	-	-	164	164
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	-	-	164	164
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	-	-	47	47
Share scheme charge	-	-	9	9
Recharge for shares from ultimate parent	-	-	(4)	(4)
<b>TOTAL TRANSACTIONS WITH OWNERS</b>	-	-	5	5
<b>AT 27 JUNE 2015</b>	<b>18,000</b>	<b>278</b>	<b>(16,857)</b>	<b>1,421</b>

The notes on pages 9 to 35 form part of these financial statements.

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**AVNET LOGISTICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

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**1. GENERAL INFORMATION**

AVNET LOGISTICS LIMITED is a private company limited by share capital, incorporated in the United Kingdom, with its registered office in Stevenage, Hertfordshire and the principal place of business, in Newcastle-under-Lyme, Staffordshire.

Throughout the notes to the Financial Statements references are made to the Income Statement. The Income Statement is included within the Statement of Comprehensive Income.

**2. ACCOUNTING POLICIES**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 Section 1A Small entities, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of Section 1(A) Small Entities in FRS 102 is given in note 24.

The preparation of financial statements in compliance with FRS 102 Section 1A Small entities requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

In these financial statements, the Company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement;
- Key Management Personnel compensation;
- Related party transactions. The Company is exempt under the terms of FRS 102.33 Related Party Disclosures from disclosing related party transactions with entities that are part of the Avnet Inc. group provided that any subsidiary which is party to the transaction is wholly owned by the group;

The following principal accounting policies have been applied:

**2.2 Going concern**

The directors have considered the going concern of the company and have concluded that it remains appropriate to prepare the financial statements on a going concern basis.

Avnet Inc., the ultimate parent company in the group that owns this company, has provided to the directors confirmation that Avnet, Inc. undertakes to both provide additional funds as necessary and not to seek repayment, unless adequate funds are available, of existing loans by Avnet Group Companies to the company, so as to enable the company to continue to trade normally and meet its liabilities as they fall due for at least one year from the date of signing of these financial statements..

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**AVNET LOGISTICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

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**2. ACCOUNTING POLICIES (CONTINUED)**

**2.3 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**2.4 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Freehold property	- over 30 years
Plant and machinery	- over 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

**2.5 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

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**AVNET LOGISTICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

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**2. ACCOUNTING POLICIES (CONTINUED)**

**2.6 Financial instruments**

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**2.7 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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**AVNET LOGISTICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

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**2. ACCOUNTING POLICIES (CONTINUED)**

**2.8 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income Statement within 'other operating income'.

**2.9 Finance costs**

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.10 Share based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Income Statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Income Statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Income Statement is charged with fair value of goods and services received.

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<b>AVNET LOGISTICS LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

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**2. ACCOUNTING POLICIES (CONTINUED)**

**2.11 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the income statement on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 29 June 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

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**2. ACCOUNTING POLICIES (CONTINUED)****2.12 Pensions****Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

**Defined benefit pension plan**

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

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<b>AVNET LOGISTICS LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

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**2. ACCOUNTING POLICIES (CONTINUED)**

**2.13 Holiday pay accrual**

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

**2.14 Interest income**

Interest income is recognised in the Income Statement using the effective interest method.

**2.15 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

**2.16 Taxation**

Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

**2.17 Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

<b>AVNET LOGISTICS LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

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**3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements and sources of estimation uncertainty have had the most significant effect on amounts recognised in the financial statements.

**Taxation**

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future profits.

**Provisions and accruals**

Management estimation is required to determine the probability of economic outflow arising from a legal or constructive obligation as a result of a past event, as well as estimating the magnitude of the outflow.

**4. TURNOVER**

An analysis of turnover by class of business is as follows:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Warehousing services provided to a fellow group company	<b>3,780</b>	<b>3,532</b>
	<b>3,780</b>	<b>3,532</b>

All turnover arose within the United Kingdom.

**5. OTHER OPERATING INCOME**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Amounts paid by immediate parent on behalf of the company relating to the Defined Benefit Pension Scheme	<b>327</b>	<b>16</b>
Foreign exchange gain	<b>95</b>	<b>130</b>
	<b>422</b>	<b>146</b>

**AVNET LOGISTICS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

**6. OPERATING PROFIT/(LOSS)**

The operating profit/(loss) is stated after charging:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Depreciation of tangible fixed assets	182	175
Loss on disposal of tangible fixed assets	9	-
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	13	11
Exchange loss / (gain)	14	(105)
Other operating lease rentals	83	64
Share based payment	15	9
Defined contribution pension scheme costs	108	109
Defined benefit pension scheme costs	22	-
	<u>182</u>	<u>175</u>

During the period, no Director received any emoluments (2015 - £NIL).

**7. EMPLOYEES**

Staff costs were as follows:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	1,454	1,461
Social security costs	137	134
Defined benefit pension scheme costs	22	-
Defined contribution pension scheme costs	108	109
	<u>1,721</u>	<u>1,704</u>

In addition to these staff costs, there are costs associated with the share scheme operated by Avnet Inc., with costs as disclosed in note 19.

The average monthly number of employees, including the Directors, during the period was as follows:

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
Administration and distribution	68	71
	<u>68</u>	<u>71</u>

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Interest payable to group undertakings	12	9
	<u>12</u>	<u>9</u>

<b>AVNET LOGISTICS LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

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**9. OTHER FINANCE COSTS**

		<b>2016 £000</b>	<b>2015 £000</b>
Net interest on net defined benefit pension scheme liability	20	<u>(2)</u>	<u>-</u>
		<u>(2)</u>	<u>-</u>

**10. TAXATION**

		<b>2016 £000</b>	<b>2015 £000</b>
Current tax on profits for the year		<u>3</u>	<u>(3)</u>
<b>TOTAL CURRENT TAX</b>		<u>3</u>	<u>(3)</u>
<b>DEFERRED TAX</b>			
Origination and reversal of timing differences		<u>57</u>	<u>(57)</u>
<b>TOTAL DEFERRED TAX</b>		<u>57</u>	<u>(57)</u>
<b>TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES</b>		<u>60</u>	<u>(60)</u>

# AVNET LOGISTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 JULY 2016

### 10. TAXATION (CONTINUED)

#### FACTORS AFFECTING TAX CHARGE FOR THE PERIOD

The tax assessed for the period is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.75%). The differences are explained below:

	2016 £000	2015 £000
Profit/(loss) on ordinary activities before tax	307	(177)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.75%)	62	(37)
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes	(37)	8
Capital allowances for period in excess of depreciation	(186)	36
Increase or decrease in pension fund prepayment leading to a decrease in tax	(165)	(86)
Short term timing difference leading to an increase (decrease) in taxation	(1)	5
Other timing differences leading to an increase (decrease) in taxation	3	(6)
Tax deduction arising from exercise of employee options	(4)	(3)
Unrelieved tax losses carried forward	-	57
Tax differences on the defined benefit obligations	57	(34)
Group relief claimed	331	-
<b>TOTAL TAX CHARGE FOR THE PERIOD</b>	<b>60</b>	<b>(60)</b>

### 11. EXCEPTIONAL ITEMS

		2016 £000	2015 £000
Expenses paid on the wind up of the Deltron Stan Plan F defined benefit pension scheme	20	75	102
Past service costs relating to Deltron Stan Plan F defined benefit pension scheme	20	-	297
		<b>75</b>	<b>399</b>

**AVNET LOGISTICS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

**12. TANGIBLE FIXED ASSETS**

	Freehold property £000	Plant and machinery £000	Total £000
<b>COST</b>			
At 28 June 2015	3,170	1,457	4,627
Additions	32	84	116
Disposals	(12)	(320)	(332)
At 2 July 2016	<u>3,190</u>	<u>1,221</u>	<u>4,411</u>
<b>DEPRECIATION</b>			
At 28 June 2015	1,114	1,222	2,336
Charge for period	117	65	182
Disposals	(3)	(320)	(323)
At 2 July 2016	<u>1,228</u>	<u>967</u>	<u>2,195</u>
<b>NET BOOK VALUE</b>			
At 2 July 2016	<u><u>1,962</u></u>	<u><u>254</u></u>	<u><u>2,216</u></u>
At 27 June 2015	<u><u>2,056</u></u>	<u><u>235</u></u>	<u><u>2,291</u></u>

<b>AVNET LOGISTICS LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

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**13. DEBTORS**

	<b>2 July 2016 £000</b>	<i>27 June 2015 £000</i>
Amounts owed by group undertakings	426	390
Other debtors	1	3
Prepayments and accrued income	232	240
	659	633

**14. CREDITORS: Amounts falling due within one year**

	<b>2 July 2016 £000</b>	<i>27 June 2015 £000</i>
Trade creditors	244	237
Amounts owed to group undertakings	733	878
Taxation and social security	139	134
Accruals and deferred income	85	92
	1,201	1,341



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

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**15. FINANCIAL INSTRUMENTS**

	<b>2 July 2016 £000</b>	<i>27 June 2015 £000</i>
<b>FINANCIAL ASSETS</b>		
Financial assets that are debt instruments measured at amortised cost	<b>437</b>	<i>415</i>
	<b>437</b>	<i>415</i>
<b>FINANCIAL LIABILITIES</b>		
Financial liabilities measured at amortised cost	<b>(1,201)</b>	<i>(1,503)</i>
	<b>(1,201)</b>	<i>(1,503)</i>

Financial assets measured at amortised cost comprise amounts due from fellow group undertakings under credit and current accounts and other receivables, including salary advances.

Financial liabilities measured at amortised cost comprise amounts payable to third party suppliers for products and services purchased, amounts due to fellow group undertakings under credit and current accounts, taxes payable, payments due to the pension scheme, amounts payable to employees for expenses claimed and accruals for services and products purchased but not yet invoiced.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

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**16. DEFERRED TAX**

A deferred tax asset had previously been recognised in respect of pension scheme liabilities. Since the wind up of pension scheme is now nearing completion, there is now considered to be no significant deferred tax asset on this scheme.

Other deferred tax assets have not been recognised on the basis that there is insufficient certainty that the timing differences will reverse.

**The recognised deferred tax asset is as follows:-**

	<b>2 July 2016 £'000</b>	<b>27 June 2015 £'000</b>
Deferred tax asset - pension liability	-	44
<i>(This has been offset against the pension liability)</i>	-	44

**The movement on deferred tax assets is as follows:-**

	<b>2 July 2016 £'000</b>	<b>27 June 2015 £'000</b>
At 27 June 2015	44	-
Deferred tax charge in the income statement	(57)	57
Deferred tax charge in other comprehensive income	13	(13)
At 2 July 2016	-	44

**There are unrecognised deferred tax assets as follows:-**

	<b>2 July 2016 £'000</b>
Share scheme deduction	2
Accelerated capital allowances	601
Impact of pension spreading	165
At 2 July 2016	768

The potential deferred tax assets are not recognised due to the uncertainty over the profitability of the business in the foreseeable future

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**AVNET LOGISTICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

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**17. SHARE CAPITAL**

	<b>2 July 2016 £000</b>	<b>27 June 2015 £000</b>
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
18,000,002 Ordinary shares of £1 each	<b>18,000</b>	<b>18,000</b>

**18. RESERVES**

**Revaluation reserve**

The revaluation reserve was created as a result of capital restructuring and a business combination.

**Profit and loss account**

The profit and loss account consists of all current and prior period retained profits and losses.

# AVNET LOGISTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 JULY 2016

### 19. SHARE BASED PAYMENTS

Certain employees of the company are selected to participate in share incentive arrangements of Avnet Inc., under the terms of the Stock Compensation plan ("Share Incentives"). The share incentives are granted annually, in August. Each grant will then vest by equal annual instalments, in each subsequent January, over 4 years, settled by physical delivery of shares.

Vesting will occur as long as the employee remains continuously employed through to that date. There is no exercise price associated with the share incentives. Share incentives expire ten years from grant date. As indicated above, there is no exercise price associated with the stock incentive shares. The terms and conditions of grants are as follows:

Scheme 2014: 672 instruments, granted by Avnet Inc. in August 2014, vesting 25% per annum in January 2014, 2015, 2016 and 2017. Expiration August 2024.

Scheme 2015: 656 instruments, granted by Avnet Inc. in August 2015, vesting 25% per annum in January 2015, 2016, 2017 and 2018. Expiration August 2025.

Because incentive shares are gifted at no exercise price on vesting dates there are no un-exercised incentive shares at any time. The issue price is the market price at grant of the incentive shares.

The fair value of each share granted under the incentive share plan is the share price at the date of grant.

The share arrangements in place are established in US\$. The exchange rate used for the purpose of this note is US\$1.43078 for the period ended 2 July 2016 (2015: US\$1.552).

In 2015 the company was charged \$7,540 (£4,931) by Avnet Inc. for shares issued in January 2015. The decision was made to not continue recharging for shares, and hence there is no recharge in the current period ended 2 July 2016.

The fair value of services received in return for share incentive shares granted are measured by reference to the fair value of share incentive shares granted. For incentive shares the fair value of the services received is measured as the market price of the shares at the date of issue. Incentive shares are granted under a service condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the incentive share grants.

For the incentive shares the assumptions which determine the fair value are set out in the table below:

	2 July	2 July	27 June	27 June
	Weighted average exercise price	Number of incentive shares	Weighted average exercise price	Number of incentive shares
	2016	2016	2015	2015
Outstanding at the beginning of the year	£25.49	504	-	-
Granted during the year	£28.84	656	£25.49	672
Exercised during the year	£28.24	(332)	£25.49	(168)
<b>OUTSTANDING AT THE END OF THE YEAR</b>	<b>£28.36</b>	<b>828</b>	<b>£25.49</b>	<b>504</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

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**19. SHARE BASED PAYMENTS (CONTINUED)**

	<b>2 July 2016</b>	<i>27 June 2015</i>
Weighted average share price (pence)	<b>£29.36</b>	<i>£27.71</i>
	<b>2 July 2016 £000</b>	<i>27 June 2015 £000</i>
Share scheme charge in the income statement	<b>15</b>	<i>9</i>
	<b>15</b>	<i>9</i>

# AVNET LOGISTICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 JULY 2016

### 20. PENSION COMMITMENTS

The Company operates defined contribution schemes for its directors and employees. The assets of these schemes are held separately from those of the Company in independently administered funds. The pension charge in the financial statements represents contributions payable by the Company to the funds which amounted to £108,179 (2015: £108,609). There were no outstanding contributions at the period-end (2015: £nil).

The Company operates a Defined Benefit Pension Scheme.

This Defined Benefit Pension Scheme, the Deltron Stan Plan F scheme, is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. The scheme is closed to new entrants and there are no active members at the balance sheet date.

The decision was made to organise a buy out for the scheme in 2014. On 27 May 2014 a contract with Legal and General was signed by the trustees of the pension scheme to agree terms for the buy out of the future liabilities. 95% of the estimated liabilities of £7.25m, amounting to £6.9m, was paid to Legal and General by way of a £3.35m contribution from the employer and £3.55m from the sale of scheme assets.

A full actuarial valuation was carried out at 30 November 2010 and updated to 2 July 2016 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown in this note.

The Company paid contributions of £327,275 during the year (2015: £15,996). Member contributions of £nil were paid (2015: £nil).

Reconciliation of present value of plan liabilities:

	2 July 2016 £000	27 June 2015 £000
<b>RECONCILIATION OF PRESENT VALUE OF PLAN LIABILITIES</b>		
At the beginning of the year	589	272
Interest expense	7	11
Actuarial gains/losses	17	24
Benefits paid and expenses	(75)	(117)
Losses due to benefit changes	-	297
Expenses	75	102
Losses extinguished on settlements	(596)	-
<b>AT THE END OF THE YEAR</b>	<b>17</b>	<b>589</b>

Composition of plan liabilities:

	2 July 2016 £000	27 June 2015 £000
Future expenses of the scheme	17	-
<b>TOTAL PLAN LIABILITIES</b>	<b>17</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

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**20. PENSION COMMITMENTS (CONTINUED)**

• Reconciliation of present value of plan assets:

	<b>2 July 2016 £000</b>	<b>27 June 2015 £000</b>
At the beginning of the year	383	486
Interest income	5	19
Actuarial gains / (losses)	(4)	(21)
Contributions by the company	327	16
Benefits paid and expenses	(75)	(117)
Gain/loss on settlement or curtailment	(619)	-
<b>AT THE END OF THE YEAR</b>	<b>17</b>	<b>383</b>

Composition of plan assets:

	<b>2 July 2016 £000</b>	<b>27 June 2015 £000</b>
Cash	17	383
<b>TOTAL PLAN ASSETS</b>	<b>17</b>	<b>383</b>

The net pension scheme liability is as follows:

	<b>2 July 2016 £000</b>	<b>27 June 2015 £000</b>
Fair value of plan assets	17	383
Present value of plan liabilities	(17)	(589)
Deferred tax asset recognised	-	44
<b>NET PENSION SCHEME LIABILITY</b>	<b>-</b>	<b>(162)</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

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**20. PENSION COMMITMENTS (CONTINUED)**

The amounts recognised in the income statement are as follows:

	<b>2 July 2016 £000</b>	<b>27 June 2015 £000</b>
Expenses incurred in wind up of scheme	75	102
Interest on obligation	2	-
Gains on curtailments and settlements	22	-
Past service costs relating to Deltron Stan Plan F defined benefit pension scheme	-	297
<b>TOTAL</b>	<b>99</b>	<b>399</b>

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	<b>2016 %</b>	<b>2015 %</b>
Discount rate	2.8	3.9
Inflation (RPI)	3.2	3.6
Inflation (CPI)	2.5	2.9
Allowance for pension in payment increases of CPI or 5% p.a. if less and Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.5	2.9
Allowance for pension in payment increases of CPI or 2.5% p.a. if less	2.4	2.9
There is no allowance for commutation of pension for cash at retirement		
Mortality rates		
- for a male retiring in 2016	22.9	22.8
- for a female retiring in 2016 / 2015	25.1	25.0
- for a male retiring in 2036	25.3	25.1
- for a female retiring in 2036	27.4	27.3



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**NOTES TO THE FINANCIAL STATEMENTS  
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**20. PENSION COMMITMENTS (CONTINUED)**

The amounts recognised in Other Comprehensive Income are as follows:

	2 July 2016 £'000	27 June 2015 £'000
Return on plan assets (excluding amounts included in net interest cost)	(5)	(21)
Experience gains and losses arising on the plan liabilities	(17)	(6)
Effect of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	-	(18)
Effects of changes in the amount of surplus that is not recoverable	-	222
	<hr/>	<hr/>
Total amount recognised in other comprehensive income (Before deferred tax adjustment)	(22)	177
Deferred tax adjustment	13	(13)
	<hr/>	<hr/>
Total amount recognised in other comprehensive income (After deferred tax adjustment)	(9)	164

**AVNET LOGISTICS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

**20. PENSION COMMITMENTS (CONTINUED)**

Amounts for the current and previous four years are as follows:-

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Fair value of scheme assets	17	383	486	3,848	3,656
Present value of scheme liabilities	17	589	272	5,006	5,067
Surplus/(deficit) in scheme	-	(206)	214	(1,158)	(1,411)
Unrecognised surplus	-	-	(214)	-	-
Recognised surplus/(deficit) in scheme	-	(206)	-	(1,158)	(1,411)
Experience adjustment on scheme assets	-	(126)	-	198	(452)
Experience adjustment on scheme liabilities	-	(5)	-	7	(66)

The best estimate of contributions to be paid by the Company to the scheme for the period beginning after 2 July 2016 is £nil.

**21. COMMITMENTS UNDER OPERATING LEASES**

At 2 July 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2 July 2016 £000	27 June 2015 £000
<b>Plant and equipment</b>		
Not later than 1 year	22	19
Later than 1 year and not later than 5 years	33	46
	<u>55</u>	<u>65</u>

**22. POST BALANCE SHEET EVENTS**

On 30th September 2016 the company was sold to two fellow group companies, Avnet Holdings UK Limited and Memec Group Holdings Limited, with 50% of the share capital being sold to each.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

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**23. CONTROLLING PARTY**

The ultimate parent company and ultimate controlling party of Avnet Logistics Limited is Avnet Inc., a company incorporated in the United States of America. The company's immediate parent and controlling party is Abacus Group Limited, a company registered in England and Wales. The financial statements of this company are available to the public and may be obtained from Companies House or from the company's registered address: Avnet House, Rutherford Close, Meadway Technology Park, Stevenage, Hertfordshire SG1 2EF.

The largest and the smallest group in which the results of Avnet Logistics Limited are consolidated is that headed by Avnet Inc. The consolidated financial statements of this group are available to the public and may be obtained from Avnet Inc., 2211 South 47th Street, Phoenix, AZ85034, USA or by visiting Avnet Inc.'s Investor Relations website at [www.ir.avnet.com](http://www.ir.avnet.com).

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

**24. FIRST TIME ADOPTION OF FRS 102**

The Company transitioned to FRS 102 from previously extant UK GAAP as at 29 June 2014. The impact of the transition to FRS 102 is as follows:

		As previously stated 29 June 2014 £000	Effect of transition 29 June 2014 £000	FRS 102 (as restated) 29 June 2014 £000	As previously stated 27 June 2015 £000	Effect of transition 27 June 2015 £000	FRS 102 (as restated) 27 June 2015 £000
	Note						
Fixed assets		2,370	-	2,370	2,291	-	2,291
Current assets		956	-	956	633	-	633
Creditors: amounts falling due within one year	3	(1,941)	(16)	(1,957)	(1,316)	(25)	(1,341)
<b>NET CURRENT LIABILITIES</b>		<b>(985)</b>	<b>(16)</b>	<b>(1,001)</b>	<b>(683)</b>	<b>(25)</b>	<b>(708)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,385</b>	<b>(16)</b>	<b>1,369</b>	<b>1,608</b>	<b>(25)</b>	<b>1,583</b>
Provisions for liabilities		-	-	-	(162)	-	(162)
<b>NET ASSETS</b>		<b>1,385</b>	<b>(16)</b>	<b>1,369</b>	<b>1,446</b>	<b>(25)</b>	<b>1,421</b>
Capital and reserves		1,385	(16)	1,369	1,446	(25)	1,421

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

**24. FIRST TIME ADOPTION OF FRS 102 (CONTINUED)**

		As previously stated 27 June 2015 £000	Effect of transition 27 June 2015 £000	FRS 102 (as restated) 27 June 2015 £000
Turnover		3,532	-	3,532
		3,532	-	3,532
Distribution costs including defined pension scheme charge	5	(3,734)	1,554	(2,180)
Administrative expenses	4	-	(1,242)	(1,242)
Other operating income / (charges)	6	16	(294)	(278)
<b>OPERATING PROFIT</b>		(186)	18	(168)
Interest receivable and similar income	2,6	150	(150)	-
Interest payable and similar charges	1	(20)	11	(9)
Taxation		60	-	60
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL PERIOD</b>		4	(121)	(117)

Explanation of changes to previously reported profit and equity:

**1 DEFINED BENEFIT PENSION SCHEME:-**

The disclosure of certain elements of the defined benefit pension scheme under FRS102 has been changed. £102k of expenses incurred for the wind up of the pension scheme moved from OCI (STRGL) to the Income Statement. In addition £11k of finance costs on the pension scheme liabilities and £21k expected return on scheme assets, net cost of £10k, has been transferred out of interest in the income statement.

**2 FOREIGN EXCHANGE DIFFERENCES:-**

Management have reviewed the classification of foreign exchange losses and gains following the transition to FRS102 and have taken the opportunity to reappraise how this item is presented and move foreign exchange losses and gains to other operating charges and income. The foreign exchange gain amounted to £129k and the foreign exchange loss amounted to £11k. The net foreign exchange position was a loss of £118k.

**3 HOLIDAY PAY:-**

Under previous UK GAAP, the company accrued for holiday pay only where this was expected to be paid as a cash sum. However, the company did not accrue for holiday pay that was earned but the holiday entitlement was expected to be taken in the subsequent financial year. Under FRS102 the company is required to accrue for all short term compensated absences as holiday entitlement earned but not taken at the date of the statement of financial position. The impact is to create a holiday pay accrual of £25k for 27 June 2015 and £16k for 29 June 2014. The total impact upon net income for the period ended 27 June 2015 is £9k.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 2 JULY 2016**

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**24. FIRST TIME ADOPTION OF FRS 102 (CONTINUED)**

**4 PRESENTATION OF EXPENSES:-**

Management have reviewed the classification of expenses following the transition to FRS102 and have taken the opportunity to reappraise how these items are presented and have decided to now present certain relevant expenses that were previously within distribution expenses to administrative expenses. As a result of this £1,242k of expenses under administration expenses and removed from distribution costs.

**5 DISTRIBUTION COSTS IMPACT:-**

Total changes made to Distribution costs are £1,554k. This consists of £1,242k costs moved to administrative expenses plus the £423k of costs moved to operating charges (See 6 below), less the £102k of wind up expenses for the defined benefit pension scheme, recognised for the first time under FRS102, less the net £9k of holiday pay adjustments (£25k for period ended 27 June 2015 less £16k for period ended 29 June 2014).

**6 OTHER OPERATING INCOME / CHARGES IMPACT:-**

Total changes made to Other operating income and charges are £294k. This consists of adjustments to operating charges totalling £423k (Made up of contract losses of £24k, defined benefit pension scheme contributions of £297k and expenses incurred on the wind up of the pension scheme of £102k) less adjustments to operating income totalling £129k, made up of foreign exchange gains.