

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

ANIXTER INTERNATIONAL INC
Form 8-K/A
November 27, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

September 20, 2002
Date of Report (Date of earliest event reported)

Commission File Number: 1-5989

ANIXTER INTERNATIONAL INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

94-1658138
(I.R.S. Employer
Identification No.)

4711 Golf Road
Skokie, Illinois 60076
(847) 677-2600

(Address and telephone number of principal executive offices)

ITEM 7. Financial Statements, Pro Forma Financial Information and Exhibits

(a) Financial Statements of Business Acquired.

Pentacon, Inc.

Report of Independent Auditors
Consolidated Balance Sheets as of December 31, 2001 and 2000
Consolidated Statements of Operations for the Years Ended
December 31, 2001, 2000 and 1999
Consolidated Statements of Cash Flows for the Years Ended
December 31, 2001, 2000 and 1999
Consolidated Statements of Stockholders' Equity for the Years Ended
December 31, 2001, 2000 and 1999
Notes to Consolidated Financial Statements Consolidated Balance Sheets
as of June 30, 2002 and December 31, 2001
Consolidated Statements of Operations for the Three Months and the Six
Months Ended June 30, 2002 and 2001
Consolidated Statements of Cash Flows for the Six Months Ended
June 30, 2002 and 2001
Notes to Consolidated Financial Statements

(b) Pro Forma Financial Information

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

Anixter International Inc.

Pro Forma Consolidated Statement of Operations for the Year Ended
December 28, 2001
Pro Forma Consolidated Statement of Operations for the 39 weeks Ended
September 27, 2002
Notes to Pro Forma Consolidated Financial Statements

(c) Exhibit

23 Consent of Ernst and Young LLP

1

ITEM 8. FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders:

We have audited the accompanying consolidated balance sheets of Pentacon, Inc. as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pentacon, Inc. at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming that Pentacon, Inc. will continue as a going concern. As more fully described in Note 3, the Company has incurred an operating loss and its revolving credit facility matures on April 30, 2002. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

ERNST & YOUNG LLP

Houston, Texas
February 1, 2002,
except for Note 3, as to which the date is March 28, 2002

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

2

PENTACON, INC.
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	2001	2000
	(IN THOUSANDS)	
ASSETS		
Cash and cash equivalents.....	\$ 49	\$ 15
Accounts receivable.....	30,767	41,43
Inventories.....	77,871	124,53
Deferred income taxes.....	-	9,86
Refundable income taxes.....	2,129	
Other current assets.....	1,679	1,04
	-----	-----
Total current assets.....	112,495	177,03
	-----	-----
Property and equipment, net.....	12,780	14,31
Goodwill, net.....	125,927	129,38
Deferred income taxes.....	-	51
Other assets.....	4,172	4,53
	-----	-----
Total assets.....	\$ 255,374	\$ 325,78
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable.....	\$ 18,191	\$ 28,30
Accrued expenses.....	9,776	7,56
Accrued interest.....	3,085	4,15
Income taxes payable.....	-	1,38
Current maturities of long-term debt.....	60,341	67,50
	-----	-----
Total current liabilities.....	91,393	108,90
Long-term debt, net of current maturities.....	99,120	99,74
	-----	-----
Total liabilities.....	190,513	208,65
	-----	-----
Commitments and contingencies		
Preferred stock, \$.01 par value, 10,000,000 shares authorized, no shares issued and outstanding.....	-	
Common stock, \$.01 par value, 51,000,000 shares authorized, 16,960,139 and 16,769,251 shares issued and outstanding in 2001 and 2000, respectively	170	16
Additional paid in capital.....	101,322	101,12
Retained earnings (deficit).....	(36,643)	15,83
Accumulated comprehensive income.....	12	
	-----	-----

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

Total stockholders' equity.....	64,861	117,12
	-----	-----
Total liabilities and stockholders' equity.....	\$ 255,374	\$ 325,78
	=====	=====

The accompanying notes are an integral part of these statements.

3

PENTACON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	-----	-----	-----
	(IN THOUSANDS, EXCEPT SHARE DATA)		
Revenues.....	\$ 259,351	\$ 283,671	\$ 272,89
Cost of sales.....	220,602	197,899	186,47
	-----	-----	-----
Gross profit.....	38,749	85,772	86,42
Operating expenses.....	58,626	62,972	60,97
Restructuring and other charges.....	3,932	-	63
Goodwill amortization.....	3,456	3,455	3,46
	-----	-----	-----
Operating income (loss).....	(27,265)	19,345	21,34
Write-off of debt issuance costs.....	633	-	2,30
Other (income) expense, net.....	(34)	(91)	(11
Interest expense.....	17,959	18,959	16,53
	-----	-----	-----
Income (loss) before taxes.....	(45,823)	477	2,62
Income taxes.....	6,653	1,362	1,84
	-----	-----	-----
Net income (loss).....	\$ (52,476)	\$ (885)	\$ 77
	=====	=====	=====
Net income (loss) per share:			
Basic.....	\$ (3.10)	\$ (0.05)	\$ 0.0
Diluted.....	\$ (3.10)	\$ (0.05)	\$ 0.0

The accompanying notes are an integral part of these statements.

4

PENTACON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

	YEAR ENDED DECEMBER 31	
	2001	2000
		(IN THOUSANDS)
Cash Flows From Operating Activities:		
Net income (loss).....	\$ (52,476)	\$ (88,000)
Adjustments to reconcile net income to net cash		
Provided by (used in) operating activities:		
Depreciation and amortization.....	6,999	6,620
Amortization of discount on notes.....	196	160
Deferred income taxes.....	10,381	(710)
Inventory write-off.....	39,053	
Write-off of debt issuance costs.....	633	
Changes in operating assets and liabilities:		
Accounts receivable.....	10,666	(1,140)
Inventories.....	7,606	2,860
Refundable income taxes.....	(2,129)	
Other current assets.....	(55)	(670)
Other assets.....	(249)	500
Accounts payable and accrued expenses.....	(8,969)	2,330
Income taxes payable.....	(1,387)	1,050
Net cash provided by (used in) operating activities	10,269	10,130
Cash Flows From Investing Activities:		
Capital expenditures.....	(2,588)	(5,870)
Other.....	137	200
Net cash used in investing activities.....	(2,451)	(5,850)
Cash Flows From Financing Activities:		
Repayments of term debt.....	(470)	(450)
Net borrowings (repayments) under credit facility.....	(6,877)	(3,880)
Debt issuance costs.....	(580)	
Net cash provided by (used in) financing activities	(7,927)	(4,340)
Decrease in cash and cash equivalents.....	(109)	(600)
Cash and cash equivalents, beginning of period.....	158	210
Cash and cash equivalents, end of period.....	\$ 49	\$ 150

The accompanying notes are an integral part of these statements.

5

PENTACON, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE DATA)

COMMON STOCK	ADDITIONAL PAID IN	RETAINED EARNINGS
--------------	--------------------	-------------------

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

	SHARES	AMOUNT	CAPITAL	(DEFICIT)
	-----	-----	-----	-----
Balance, December 31, 1998.....	16,668,129	\$ 167	\$ 100,501	\$ 15,942
Issuance of common stock	13,132	-	32	-
Amortization of deferred compensation.....	-	-	261	-
Net income.....	-	-	-	776
Balance, December 31, 1999.....	16,681,261	167	100,794	16,718
Issuance of common stock	87,990	1	85	-
Amortization of deferred compensation.....	-	-	243	-
Net loss.....	-	-	-	(885)
Foreign currency translation.	-	-	-	-
Comprehensive loss.....	-	-	-	-
Balance, December 31, 2000.....	16,769,251	168	101,122	15,833
Issuance of common stock	190,888	2	108	-
Amortization of deferred compensation.....	-	-	92	-
Net loss.....	-	-	-	(52,476)
Foreign currency translation...	-	-	-	-
Comprehensive loss.....	-	-	-	-
Balance, December 31, 2001.....	16,960,139	\$ 170	\$ 101,322	\$ (36,643)
	=====	=====	=====	=====

The accompanying notes are an integral part of these statements.

6

PENTACON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION: Pentacon, Inc. ("Pentacon" or the "Company") was incorporated in March 1997. On March 10, 1998, Pentacon and separate wholly-owned subsidiaries acquired in separate transactions, simultaneously with the closing of its initial public offering (the "Offering") of its common stock, five businesses (the "Initial Acquisitions"): Alatec Products, Inc. (Alatec), AXS Solutions, Inc., Capitol Bolt & Supply, Inc., Maumee Industries, Inc., and Sales Systems Limited, collectively referred to as the "Founding Companies." The consideration for the Initial Acquisitions consisted of a combination of cash and common stock. Because (i) the stockholders of the Founding Companies owned a majority of the outstanding shares of common stock following the Offering and the Initial Acquisitions, and (ii) the stockholders of Alatec received the greatest number of shares of Pentacon, Inc. common stock among the stockholders of the Founding Companies, for financial statement presentation purposes, Alatec was identified as the accounting acquiror. The acquisitions of the remaining Founding Companies were accounted for using the purchase method of accounting. Unless the context otherwise requires, all references herein to the Company include Pentacon, the Founding Companies and acquisitions subsequent to the Offering ("Subsequent Acquisitions").

Pentacon distributes fasteners and other small parts and provides related inventory management services primarily to customers in the United States.

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of Pentacon, Inc. and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

CASH EQUIVALENTS: Cash equivalents include highly liquid, temporary cash investments having original maturity dates of three months or less. For reporting purposes, cash equivalents are stated at cost plus accrued interest, which approximates fair value.

INVENTORIES: Inventories are stated at the lower of cost or market value, cost being determined on a first-in, first-out basis.

REVENUE RECOGNITION: Revenues are recognized upon shipment of products or, in the case of inventory management contracts, when the product is delivered to the customer's production line. Revenues include freight billed to customers and the related freight costs are recorded as cost of sales.

CASH EQUIVALENTS: Short-term investments purchased with original maturities of three months or less are considered cash equivalents.

INVENTORIES: Inventories consist of products held for resale and are stated at the lower of cost, determined using the first-in, first-out method, or market.

INCOME TAXES: The Company recognizes deferred tax assets and liabilities for expected future tax consequences of events that have been recognized in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on the differences between the financial statements carrying amounts and the tax basis of assets and liabilities using enacted tax rates and laws in effect in the years in which the differences are expected to reverse.

PROPERTY AND EQUIPMENT: Property and equipment is stated at cost. Depreciation is provided over the estimated useful lives of the related assets

7

using primarily the straight-line method. The amortization expense on assets acquired under capital leases is included with depreciation expense on owned assets. Repairs and maintenance are charged to earnings as they are incurred.

GOODWILL: Goodwill is amortized over a period of 40 years. The carrying value of goodwill is reviewed if there are indications that the goodwill may be impaired. If this review indicates that the goodwill will not be recoverable, as determined based on undiscounted cash flows over the remaining amortization periods, the carrying value of the goodwill will be reduced by the estimated shortfall in discounted cash flow. At the time goodwill is evaluated for impairment, enterprise goodwill is also evaluated utilizing undiscounted cash flows of the enterprise over the remaining life of the asset.

USE OF ESTIMATES: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CONCENTRATION OF CREDIT RISK: The Company performs credit evaluations of its customers and generally does not require collateral. The Company maintains an allowance for doubtful accounts based upon the expected collectibility of all

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

accounts receivable. The allowance for doubtful accounts and related activity were not material at and for the years ended December 31, 2001, 2000 and 1999. One customer of the industrial segment accounted for approximately 12%, 16% and 14% of consolidated revenues for the years ended December 31, 2001, 2000 and 1999, respectively. Accounts receivable balances related to this customer represented approximately 9% and 10% of total accounts receivable at December 31, 2001 and 2000, respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS: The carrying amounts of accounts receivable, prepaid expenses and accounts payable approximate fair values due to the short-term maturities of these instruments. The Company's publicly-traded Senior Subordinated Notes had a fair value of \$21.0 million at December 31, 2001. The carrying value of the Company's remaining debt facilities and capital lease obligations approximate fair value since the rates on such facilities are variable, based on current market or are at fixed rates currently available to the Company.

COMMON STOCK BASED COMPENSATION: The Company follows the intrinsic value method of accounting for stock options and performance-based stock awards as prescribed by Accounting Principles Board Opinion No. 25 (APB 25), ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES.

RISKS AND UNCERTAINTIES: Certain types of specialized fasteners are available from only a limited number of sources. If those sources become unavailable, the Company would not be able to continue to sell such fasteners unless the Company could locate an alternative supplier. The Company's inability to supply certain types of fasteners may adversely affect the Company's sales and its relationship with the customers requiring such fasteners.

RECENTLY ISSUED ACCOUNTING STANDARDS: In June 1998, the Financial Accounting Standards Board (FASB) issued Statements of Financial Accounting Standards No. 133, ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES ("SFAS No. 133"). SFAS No. 133 requires that all derivatives be recognized as assets and liabilities and measured at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. The Company adopted this standard in the quarter ended March 31, 2001. The adoption had no impact on net income because of the Company's minimal use of derivatives.

In June 2001, the FASB issues SFAS No. 141, "Business Combinations". SFAS No. 141 establishes new standards for accounting and reporting requirements for business combinations and requires that the purchase method of accounting be used for all business combination initiated after June 30, 2001. SFAS No. 141 also requires that acquired intangible assets be recognized as assets apart from

8

goodwill if they meet one of two specified criteria. Additionally, the statement adds certain disclosure requirements to those required by APB 16, including disclosure of the primary reasons for the business combination and the allocation of the purchase price paid to the assets acquired and liabilities assumed by major balance sheet caption. This statement is required to be applied to all business combinations initiated after June 30, 2001 and to all business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001 or later. Use of the pooling-of-interests method is prohibited. The adoption of SFAS No. 141 did not have an impact on the Company's financial condition or results of operations.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142, which must be applied to fiscal years beginning after December 15, 2001, modifies the accounting and reporting of goodwill and

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

intangible assets. The pronouncement requires entities to discontinue the amortization of goodwill, reallocate all existing goodwill among its reporting segments based on criteria set by SFAS No. 142 and perform initial impairment tests by applying a fair-value-based analysis on the goodwill in each reporting segment. Any impairment at the initial adoption date shall be recognized as the effect of a change in accounting principle. Subsequent to the initial adoption, goodwill shall be tested for impairment annually or more frequently if circumstances indicate a possible impairment.

Under SFAS No. 142, entities are required to determine the useful life of other intangible assets and amortize the value over the useful life. If the useful life is determined to be indefinite, no amortization will be recorded. For intangible assets recognized prior to the adoption of SFAS No. 142, the useful life should be reassessed. Other intangible assets are required to be tested for impairment in a manner similar to goodwill. At December 31, 2001, the Company's net goodwill was approximately \$125.9 million, and annual amortization of such goodwill was approximately \$3.5 million. The Company expects to adopt SFAS No. 142 during its first quarter of 2002. The Company believes the impairment charge upon adoption will be material, and based on current market capitalization could equate to a substantial amount of its recorded goodwill. The Company does not believe this adoption will impact its free cash flows or its operating income.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of". SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and requires that those long-lived assets be measured as the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company is in the process of assessing the impact that the adoption of this standard will have on its financial position and results of operations.

2. RESTRUCTURING AND OTHER CHARGES

In the fourth quarter of 2001, the Company initiated a plan to restructure its business operations. In addition, the Company conducted an assessment of its business in the aerospace and telecommunication industries in view of the impact of recent events, most notably the September 11th events in New York and Washington, D.C. and the financial difficulties in the telecommunications industry. The Company expects decreases in revenues in the aerospace industry and continued softness in the telecommunications sector. As a result, the Company recorded restructuring and other charges of \$47,650,000 in the fourth quarter of 2001.

9

Below is an analysis and discussion of the restructuring and other charges recognized during the fourth quarter and year-ended December 31, 2001 (amounts in thousands):

Income Statement Classification	Description of Charges	Second Quarter Accrual	Fourth Quarter Accrual	Noncash Activity	Cash Activi
Cost of sales	Write-off of excess				

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

	inventory	\$ 5,623	\$ 33,430	\$ (2,987)	\$ -
Restructuring and other charges	Termination Benefits Cost	817	1,386	(3)	(808)
Restructuring and other charges	Facility Costs	495	1,234	-	(107)
Operating expenses	Professional fees related to restructuring	-	966	-	(581)
Write-off of debt issuance costs	Write-off of debt issuance costs	-	633	(633)	-
Income taxes	Valuation allowance on deferred tax assets	-	10,001	(10,001)	-

Included in restructuring and other charges are charges totaling \$39,053,000 for the write-off of inventory. Of that total, \$33,430,000 related to noncash write-offs of excess aerospace and telecommunications inventory in the fourth quarter based upon a review of the anticipated reduced future demand for the inventory resulting from decreased usage levels in the quarter. A \$5,623,000 noncash charge was recognized in the second quarter of 2001 as a result of offering \$9,762,000 of slower moving inventory at substantially reduced prices in order to take advantage of the cashflows and tax benefits.

As announced in November 2001, the Company implemented a restructuring plan to reduce annual operating expenses. The Company is closing five distribution facilities and has reduced its workforce by 86 employees, the majority of which were terminated prior to December 31, 2001. These employees encompass all levels of the organization from executives to warehouse employees. The Company recognized a \$2,620,000 charge in the fourth quarter relating to implementation of the plan. In the second quarter of 2001, the Company recorded a \$967,000 charge for the relocation of its corporate office from Houston, Texas to Chatsworth, California and a \$345,000 charge for cost initiatives in the Industrial Group.

The Company has engaged advisors to assist in restructuring efforts and has incurred costs with respect to professionals engaged by potential lenders and investors in connection with due diligence. The Company recognized \$966,000 for those fees in the fourth quarter of 2001.

In connection with the amendment of the Company's bank credit facility in October 2001, unamortized debt issuance costs of \$633,000 relating to the previous facility were written-off.

As a result of the charges recorded in the fourth quarter, the realization of recorded deferred tax assets is not assured. The Company recorded a \$10,001,000 valuation allowance related to deferred tax assets in the fourth quarter of 2001.

During the year ended December 31, 1999, the Company incurred a non-recurring charge of \$632,000 related to a workforce reduction in one of the Company's industrial segment distribution centers.

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

The Company's consolidated financial statements for the year ended December 31, 2001 have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred a net loss of \$52,476,000 for the year ended December 31, 2001 and the Company's credit facility (the "Bank Credit Facility") matures on April 30, 2002. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that may result from the outcome of this uncertainty.

A substantial portion of the Company's business involves sales to the aerospace industry. Primarily as a result of the September 11th events in New York and Washington, D.C., aerospace manufacturers have substantially reduced their business, resulting in decreased business for the Company.

The Company is highly leveraged and has outstanding \$100 million of Senior Subordinated Notes due 2009 (the "Notes") and approximately \$60 million of senior secured indebtedness under the Company's Bank Credit Facility. The downturn in the Company's business since September 11th has made it unlikely that it will be able to repay this indebtedness in accordance with its terms.

The Company has taken a number of steps during the year ended December 31, 2001 to reduce costs. On April 25, 2001, the Company hired a new Chief Executive Officer and subsequently replaced four of its executive officers. The Company reduced its workforce by 14% and closed five facilities which are estimated to result in future cost savings of \$10 million in 2002. In addition, the Company restructured the manner in which it purchases its inventory in an effort to increase its annual inventory turns. The Company also evaluated its inventory for excess inventory, primarily in the aerospace group, taking into consideration the downturn in business resulting from the events of September 11th and the number of older aircraft that have been taken out of use, resulting in an aerospace inventory write-down of \$ 31.7 million in the fourth quarter of 2001.

While the steps taken by the Company will improve its 2002 operating results, the Company's level of indebtedness combined with restrictions imposed on the use of the Company's credit facility have resulted in debt service in excess of that which can be serviced by the Company's current operations. The Company has entered into negotiations with its lenders, holders of its Notes and other sources of capital to restructure its indebtedness. Although no binding agreements or commitments have been received, the Company anticipates that a restructuring will involve a reduction in the amount of indebtedness owed to holders of the Notes in exchange for common stock (or a security convertible into common stock). The Company is also negotiating with its senior lenders under its Bank Credit Facility to extend the maturity of its Bank Credit Facility. In addition, the Company is in discussions regarding other alternative transactions, including a sale of the Company's business. It is likely that any restructuring or other alternative will result in substantial dilution to current holders of our common stock and a change in control of the Company.

The Company believes that its improved ongoing operating performance will enable it to successfully restructure its indebtedness, without materially impacting its operations, to a level that can be adequately serviced by its current and anticipated future operations. However, these negotiations involve numerous parties with different interests. Additionally, the events of September 11th continue to affect the aerospace industry making it difficult to project future results, and therefore more difficult to attract equity capital. No assurances can be given that one or more of these factors will prevent the Company from successfully restructuring its indebtedness and continuing as a going concern.

The Company's lenders under its Bank Credit Facility have notified the

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

Company that the Company is in default under certain covenants under the Bank Credit Facility that would give the lenders the right to accelerate the indebtedness under the Bank Credit Facility and declare it immediately due and payable. The Company and the senior lenders have entered into a forbearance agreement in which the senior lenders agree not to exercise their remedies under the Bank Credit Facility and to continue lending to the Company under the facility until April 26, 2002. In addition, the scheduled interest payment date for the Company's Notes is April 1, 2002. The Company does not expect to make the interest payment on that date. The indenture for the Notes provides a 30-day grace period. If the failure to pay interest continues for 30 days, the Notes will be in default, and the holders of the Notes may, subject to the terms of the indenture, declare all interest and principal immediately due and payable. A default under the Notes will also be a default under the Company's Bank Credit Facility. If the Company is unable to successfully restructure its indebtedness, it may be required to seek protection under the bankruptcy laws.

11

4. PROPERTY AND EQUIPMENT AND GOODWILL

	USEFUL LIVES IN YEARS	----- 2001 -----	DECEMBER 31 ----- 2001 -----
			(IN THOUSANDS)
Buildings.....	10-40	\$ 1,772	\$
Leasehold improvements.....	6-20	3,768	
Equipment.....	3-8	12,439	
Furniture and fixtures.....	5-7	2,728	
Construction in progress.....	-	57	

		20,764	
Less accumulated depreciation and Amortization.....	-	(7,984)	

		\$ 12,780	\$
		=====	=
			DECEMBER 31

			2001

			(IN THOUSANDS)
Goodwill.....		\$ 138,190	\$
Less accumulated amortization.....		(12,263)	

		\$ 125,927	\$
		=====	=

5. CREDIT FACILITY, LONG-TERM DEBT AND LEASES

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

	DECEMBER 31, 2001	
	2001	
	(IN THOUSANDS)	
Senior Subordinated Notes with interest payable semi-annually at 12.25% (an effective rate of 12.75%), maturing March 2009.....	\$ 97,678	\$
Borrowings under Bank Credit Facility:		
Revolving credit loan with interest payable quarterly at LIBOR + 2%	-	
Revolving credit loan with interest payable monthly at prime (5.75% at December 31, 2001), maturing April 2002	60,135	
Capital leases.....	1,395	
Other notes payable	253	

	159,461	
Less current maturities.....	60,341	

Long-term debt, net of current maturities.....	\$ 99,120	\$
	=====	

In March 1999, the Company sold \$100 million of Notes due April 1, 2009. The net proceeds of \$94.2 million, after the original issue discount and paying underwriter's commissions, from the offering of the Notes were used to repay indebtedness under the Company's Bank Credit Facility. The Notes accrue interest

12

at 12.25% which is payable on April 1 and October 1 of each year. The Notes are publicly-registered and subordinated to all existing and future senior subordinated obligations and will rank senior to all subordinated indebtedness. The indenture governing the Notes contains covenants that limit the Company's ability to incur additional indebtedness, pay dividends, make investments and sell assets. At December 31, 2001 the Company was in compliance with the covenants. Each of the Company's subsidiaries, which are wholly owned, fully, unconditionally and jointly and severally guarantees the Notes on a senior subordinated basis. Separate financial statements of the guarantors are not presented because management has determined that they would not be material to investors.

Effective October 30, 2001, the Company amended its \$100 million Bank Credit Facility. The Bank Credit Facility is subject to a borrowing base limitation and secured by Company stock and assets. Advances under the Bank Credit Facility bear interest at the banks' prime rate plus 100 basis points. Commitment fees of 25 to 37.5 basis points per annum are payable on the unused portion of the line of credit. The Bank Credit Facility contains a provision for standby letters of credit up to \$20 million. The Bank Credit Facility prohibits the payment of dividends by the Company, restricts the Company's incurring or assuming other indebtedness and requires the Company to comply with certain financial covenants. The financial covenants include: (1) minimum monthly availability requirements, beginning at \$6.5 million on October 31, 2001 and increasing periodically thereafter up to \$9.5 million on March 1, 2002; (2) monthly EBITDA minimums through February 28, 2002; (3) maximum gross inventory that the Company may have at the end of each calendar month through February 28,

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

2002; and (4) a tangible net worth requirement. In addition, the Company is required to complete an inventory appraisal by January 15, 2002. At December 31, 2001, the Company had approximately \$9.9 million of availability (\$6.5 million of availability is required) under the facility. Borrowings under the Bank Credit Facility are classified as current liabilities in accordance with EITF 95-22 BALANCE SHEET CLASSIFICATION OF BORROWINGS OUTSTANDING UNDER REVOLVING CREDIT AGREEMENTS THAT INCLUDE BOTH A SUBJECTIVE ACCELERATION CLAUSE AND A LOCK-BOX ARRANGEMENT. The weighted-average interest rate on short-term borrowings outstanding was 6.59% and 8.10% at December 31, 2001 and 2000, respectively. In March 2002, the Company amended its Bank Credit Facility to reduce the facility to \$65 million and change the term to April 30, 2002. In addition, the Company entered into a forbearance agreement with respect to the default on the tangible net worth covenant of the facility caused by the restructuring and other charges described in Note 2.

In connection with the amendment of the Company's Bank Credit Facility in October 2001, unamortized debt issuance costs of \$633,000 related to the previous facility were written-off. In connection with the amendment of and reduction in the Bank Credit Facility and issuance of the Notes in March 1999, the Company recorded a \$2,308,000 noncash charge for the write-off of debt issuance costs.

Maturities of long-term debt (excluding capital leases) for the five years subsequent to December 31, 2001 are \$60,242,000, \$94,000, \$51,000, \$0 and \$0, respectively.

The Company leases a portion of its buildings and equipment under non-cancelable capital and operating leases. Future minimum lease payments under the capital and operating leases, together with the present value of the net minimum lease payments, as of December 31, 2001 are as follows:

13

YEAR ENDING DECEMBER 31:	CAPITAL LEASES	OPERATING LEASES	TOTAL
	(IN THOUSANDS)		
2002.....	\$ 299	\$ 3,493	\$ 3,792
2003.....	274	3,179	3,453
2004.....	235	2,524	2,759
2005.....	220	2,035	2,255
2006.....	220	1,592	1,812
Thereafter.....	766	4,318	5,084
	2,014	17,141	19,155
Less amount representing			
Interest.....	619		
	1,395		
Present value of net minimum			
lease payments.....	1,395		
Current maturities.....	107		
	\$ 1,288		
Long-term portion.....	\$ 1,288		

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

Total rental expense under operating leases for the years ended December 31, 2001, 2000 and 1999 was approximately \$4,758,000, \$4,210,000 and \$3,435,000, respectively, including amounts to related parties of \$1,024,000, \$1,217,000 and \$952,000, respectively. Total minimum lease payments include payments due to stockholders of \$1,864,000 for capital leases and \$6,999,000 for operating leases.

6. INCOME TAXES

Deferred tax liabilities and assets at the end of each period are determined based on the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, using the tax rate expected to be in effect when the taxes are actually paid or recovered. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance. For the year ended December 31, 2001, the Company recorded a valuation allowance relating to its net deferred tax assets.

Components of income tax expense (benefit) are as follows:

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Current expense (benefit):			
Federal.....	\$ (3,115)	\$ 1,572	\$ 1,549
State.....	(613)	504	863
	-----	-----	-----
	(3,728)	2,076	2,412
Deferred expense (benefit):			
Federal.....	8,465	(582)	(461)
State.....	1,916	(132)	(105)
	-----	-----	-----
	10,381	(714)	(566)
	-----	-----	-----
	\$ 6,653	\$ 1,362	\$ 1,846
	=====	=====	=====

14

The net deferred tax assets (liabilities) consist of the following:

	DECEMBER 31,
	2001
	(IN THOUSANDS)
Deferred tax assets:	
Receivables allowance.....	\$ 366
Inventory allowance.....	17,487
Accrued expenses.....	1,278
Uniform cost capitalization.....	1,591
Property and equipment.....	-

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

Net operating loss carryforward.....	2,079
Other.....	116

Total deferred tax assets.....	22,917

Deferred tax liabilities:	
Property and equipment.....	(570)
Other.....	(144)

Total deferred tax liabilities.....	(714)

Valuation allowance.....	(22,203)

Net deferred taxes.....	\$ -
	=====
Net deferred taxes consist of the following:	
Current assets.....	\$ -
Noncurrent assets.....	-

	\$ -
	=====

Due to the uncertainty surrounding the realization of the deferred tax assets, the Company has recorded a full valuation allowance against these amounts for the year ended December 31, 2001. The Company has approximately \$5,696,000 of tax operating loss carryforward at December 31, 2001 that will expire in 2021.

The Company's effective tax rate varied from the federal statutory tax rate as follows:

	YEAR ENDED DECEMBER 31,	
	2001	2000
	-----	-----
Expected income tax rate.....	(34.0)%	34.0%
International export sales partially exempt from federal income taxes (FSC/ETI benefit).....	(0.8)	(41.9)
State taxes, net of federal benefit.....	(0.7)	34.2
Nondeductible compensation.....	-	17.3
Nondeductible goodwill.....	2.6	246.2
Valuation allowance.....	48.5	-
Other nondeductible expenses.....	(1.1)	(4.3)
	-----	-----
Effective tax rate.....	14.5%	285.5%
	=====	=====

7. EARNINGS (LOSS) PER SHARE

The computation of net income (loss) per share for the years ended December 31, 2001, 2000 and 1999 is based on the weighted average shares of common stock

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

outstanding during the years ended December 31, 2001, 2000 and 1999, respectively.

Basic and diluted net income (loss) per share is computed based on the following information:

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
BASIC:			
Net income (loss).....	\$ (52,476)	\$ (885)	\$ 77
Average common shares.....	16,904	16,744	16,67
DILUTED:			
Net income (loss).....	\$ (52,476)	\$ (885)	\$ 77
Average common shares.....	16,904	16,744	16,67
Common share equivalents:			
Warrants.....	-	-	
Options.....	1	14	
Total common share equivalents.....	1	14	
Average common shares and common share equivalents.....	16,905	16,758	16,67

Options and warrants to purchase 1,220,218, 976,228 and 1,192,225 shares of common stock were not included in the diluted net income per share calculation for the years ended December 31, 2001, 2000 and 1999, respectively, because the exercise price was greater than the average market price.

8. STOCK OPTION PLAN

The Board of Directors has adopted, and the stockholders of the Company have approved, the Pentacon, Inc. 1998 Stock Plan (the "1998 Stock Plan"). The aggregate amount of common stock with respect to which options or other awards may be granted may not exceed 2,550,000 shares. As of December 31, 2001, the Company had granted options and other awards for a total of 1,227,468 shares under the 1998 Stock Plan.

The 1998 Stock Plan is administered by the Compensation Committee, which is composed of non-employee directors (the "Committee"). Subject to the terms of the 1998 Stock Plan, the Committee generally determines to whom awards will be granted and the terms and conditions of these awards. Awards granted under the 1998 Stock Plan may be non-qualified stock options, or may qualify as incentive stock options ("ISOs"), restricted stock grants or other awards. In the case of ISOs, the aggregate fair market value (determined at the time the ISO is granted) of the common stock with respect to which ISOs are exercisable for the

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

first time by any employee during any calendar year under all plans of the Company and any parent or subsidiary corporation shall not exceed \$100,000. No employee or consultant may receive an option in any year to purchase more than 250,000 shares of common stock.

16

The Committee determines the period over which options become exercisable, provided that all options become immediately exercisable upon death of the grantee or upon a change-in-control of the Company.

The 1998 Stock Plan also provides for automatic option grants to directors who are not otherwise employed by the Company or its subsidiaries. Upon commencement of service, a non-employee director will receive a non-qualified option to purchase 15,000 shares of common stock, and continuing non-employee directors annually will receive options to purchase 5,000 shares of common stock. Options granted to non-employee directors are immediately exercisable in full and have a term of ten years.

Upon exercise of a non-qualified option, the optionee generally will recognize ordinary income in the amount of the "option spread" (the difference between the market value of the option shares at the time of exercise and the exercise price), and the Company is generally entitled to a corresponding tax deduction (subject to certain withholding requirements). When an optionee sells shares issued upon the exercise of a non-qualified stock option, the optionee realizes a short-term or long-term gain or loss, depending on the length of the holding period, but the Company is not entitled to any tax deduction in connection with such sale.

The Company applies APB 25 in accounting for the Plan. Accordingly, no compensation cost has been recognized for its fixed stock option plan. Pro forma information regarding net income and earnings per common share is required by Statements of Financial Accounting Standards No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION ("SFAS No. 123") as if the Company had accounted for its employee stock options under the fair value method of that statement. The fair value of these options was estimated at the date of grant using a Black-Scholes option pricing ("Black-Scholes") model with the following weighted average assumptions for 2001, 2000 and 1999 respectively: (i) risk-free interest rate of 5.03%, 5.03% and 6.34%, (ii) a dividend yield of 0.00%, (iii) volatility factors of the historical market price of the Company's common stock of 141.4%, 84.6%, and 75.7%, respectively and (iv) a weighted average expected life of 10 years.

The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosure, the estimated fair value of the options is amortized to expense over the vesting period of the stock options. Had compensation for the Company's stock-based compensation plan been determined based on the fair value at the grant dates for awards under the Plan consistent with the method of SFAS 123, the Company's net income (loss) and earnings (loss) per common share would have been adjusted to the pro forma amounts indicated below:

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS, EXCEPT SHARE DATA)		
Net income (loss)			
As reported.....	\$ (52,476)	\$ (885)	\$ 776
Pro forma.....	\$ (53,182)	\$ (1,662)	\$ (1,987)
Income (loss) per share			
As reported.....	\$ (3.10)	\$ (0.05)	\$ 0.05
Pro forma.....	\$ (3.15)	\$ (0.10)	\$ (0.12)

17

A summary of the status and activity of the Company's fixed stock option plans for officers and employees is presented below:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICES
Stock options outstanding at December 31, 1998	1,103,730	\$ 10.24
Options granted.....	165,900	5.58
Options cancelled.....	(56,405)	9.92
Stock options outstanding at December 31, 1999.....	1,213,225	\$ 9.62
Options granted	426,071	1.83
Options cancelled.....	(333,318)	9.57
Stock options outstanding at December 31, 2000.....	1,305,978	\$ 7.09
Options granted.....	316,290	1.01
Options cancelled.....	(344,800)	8.91
Stock options outstanding at December 31, 2001.....	1,277,468	\$ 5.10
Common shares authorized under the 1998 Stock Plan...	2,550,000	
Outstanding options.....	(1,277,468)	
Outstanding stock grants.....	(263,267)	
Options available for grant at December 31, 2001.....	1,009,265	
Shares exercisable at December 31, 2001.....	780,574	\$ 7.47

The weighted average fair value of options granted in the years ended December 31, 2001, 2000 and 1999 was \$0.98, \$1.57 and \$4.65, respectively. The following summarizes information related to stock options outstanding at December 31, 2001:

Options Outstanding

Options Exercised

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

Range of Exercise Prices	Shares (in thousands)	Remaining Life (Years)	Weighted Average Exercise Price	Shares (in thousands)	Remaining Life (Years)
\$ 0.88 to \$ 3.00	701	9.0	\$ 1.45	206	8.7
\$ 3.00 to \$10.00	93	7.0	6.19	92	7.0
\$10.00	427	6.2	10.00	427	6.2
\$10.00 to \$12.44	56	6.6	11.57	56	6.6
Total	1,277	7.8	\$ 5.10	781	7.0

9. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosures of cash flow information are as follows:

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Interest paid.....	\$ 18,143	\$ 17,297	\$ 17,297
Income taxes paid.....	\$ 712	\$ 1,023	\$ 1,023

18

10. EMPLOYEE BENEFIT PLANS

The Company has defined contribution plans which cover substantially all of the Company's full-time employees. Under certain plans, the Company may make discretionary contributions, match various percentages of participants' contributions or both. The Company contributed \$524,000, \$529,000 and \$639,000 in matching contributions to the plans for the years ended December 31, 2001, 2000 and 1999, respectively. Additionally, the Company made discretionary contributions to certain plans of \$93,000 for the year ended December 31, 1999.

11. UNAUDITED QUARTERLY OPERATING RESULTS

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(IN THOUSANDS, EXCEPT SHARE DATA)			
YEAR ENDED DECEMBER 31, 2001				
Revenue.....	\$71,311	\$70,230	\$ 64,541	\$ 64,541
Gross profit.....	21,319	15,444	19,750	19,750
Operating income.....	4,703	(1,568)	4,786	4,786
Interest expense.....	4,599	4,559	4,291	4,291
Net income (loss)	82	(4,939)	826	826
Basic earnings (loss) per share.....	0.00	(0.29)	0.05	0.05

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

Diluted earnings (loss) per share.....	0.00	(0.29)	0.05
YEAR ENDED DECEMBER 31, 2000			
Revenue.....	\$74,365	\$73,891	\$ 67,810
Gross profit.....	22,728	22,515	20,786
Operating income.....	5,691	5,871	4,808
Interest expense.....	4,820	4,746	4,654
Net income (loss)	405	440	(526)
Basic earnings (loss) per share.....	0.02	0.03	(0.03)
Diluted earnings (loss) per share.....	0.02	0.03	(0.03)

12. COMMITMENTS AND CONTINGENCIES

The Company is involved in various legal proceedings that have arisen in the ordinary course of business. While it is not possible to predict the outcome of such proceedings with certainty, in the opinion of the Company, all such proceedings are either adequately covered by insurance or, if not so covered, should not ultimately result in any liability which would have a material adverse effect on the financial position, liquidity or results of operations of the Company.

13. RELATED PARTY TRANSACTIONS

The Company purchased \$2,050,000, \$1,415,000 and \$1,243,000, of products for the years ended December 31, 2001, 2000 and 1999, respectively, from a supplier which is 50% owned by a shareholder. The Company had sales of \$75,000, \$3,841,000 and \$5,387,000, of products for the years ended December 31, 2001, 2000 and 1999, respectively, to a company which has a board member who is also a member of the Company's board. The Company has notes or accounts receivable of \$1,364,000, \$2,463,000 and \$1,579,000 relating to such sales at December 31, 2001, 2000 and 1999, respectively. Other related party transactions are discussed in Note 5.

14. INDUSTRY SEGMENTS AND GEOGRAPHIC INFORMATION

INDUSTRY SEGMENTS

The Company has two principal operating segments: the Aerospace Group and the Industrial Group. The Aerospace Group serves the aerospace and aeronautics industries and the Industrial Group serves a broad base of industrial manufacturers producing items such as diesel engines, locomotives, power turbines, motorcycles, telecommunications equipment and refrigeration equipment.

19

The performance of businesses is evaluated at the segment level and resources are allocated between the segments. The Pentacon executive responsible for each segment further allocates resources among the various operating units that compose the segment. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1. Pentacon, Inc. manages cash, debt and income taxes centrally. Accordingly, the Company evaluates performance of its segments and operating units based on the operating earnings exclusive of financing activities and income taxes. The segments are managed separately since each segment distributes to industries requiring different asset allocation characteristics. Intersegment sales and related receivables for each of the years presented were insignificant.

Financial information by industry segment follows:

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

	REVENUES			OPERATING	
	YEAR ENDED DECEMBER 31,			YEAR ENDED	
	2001	2000	1999	2001(1)	2000
	(IN THOUSANDS)				
Aerospace.....	\$ 129,637	\$ 123,435	\$ 130,981	\$ (24,979)	\$
Industrial.....	129,714	160,236	141,917	6,956	
	-----	-----	-----	-----	-----
	\$ 259,351	\$ 283,671	\$ 272,898	(18,023)	
	=====	=====	=====		
Write-off of debt issuance costs.....				(633)	
Other income.....				34	
General corporate.....				(5,787)	
Goodwill amortization.....				(3,455)	
Interest expense.....				(17,959)	
				-----	-----
Income (loss) before taxes.....				\$ (45,823)	\$
				=====	=====

	TOTAL ASSETS		
	DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Aerospace.....	\$ 77,513	\$ 127,634	\$ 128,649
Industrial.....	46,332	54,762	52,005
	-----	-----	-----
	123,845	182,396	180,654
General corporate.....	131,529	143,384	146,465
	-----	-----	-----
Consolidated assets.....	\$ 255,374	\$ 325,780	\$ 327,119
	=====	=====	=====

- (1) Aerospace operating income for the year ended December 31, 2001 includes nonrecurring and other charges of \$38,686. Industrial operating income for the year ended December 31, 2001 includes restructuring and other charges of \$3,270. General corporate expense for the year-ended December 31, 2001 includes restructuring and other charges of \$1,995.
- (2) Aerospace operating income for the year ended December 31, 2000 includes a charge of \$2,003 primarily related to exiting certain non-core and under-performing operations.

Capital expenditures by segment were as follows:

YEAR ENDED DECEMBER 31,	AEROSPACE	INDUSTRIAL	CORPORATE	TOTAL
-------------------------	-----------	------------	-----------	-------

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

(IN THOUSANDS)				
2001	\$ 863	\$ 1,709	\$ 16	\$ 2,588
2000	1,593	4,126	154	5,873
1999	3,776	2,174	88	6,038

GEOGRAPHIC INFORMATION

The Company recorded export sales of \$45,828,000, \$38,216,000 and \$39,274,000 in the years ended December 31, 2001, 2000 and 1999, respectively. The Company has export sales through its foreign sales corporation to Europe, Canada, the Far East, Mexico, Australia and South America, of which no country or region is individually significant.

15. SUBSEQUENT EVENT (UNAUDITED)

The Job Creation and Workers Act of 2002 ("the Act") was enacted in March 2002. The Act provided that net operating loss carryback claims for the years ended December 31, 2001 and 2002 are extended from two years to five years. As a result, the Company will be able to carryback its \$5,696,000 tax loss and realize approximately \$1,659,000 of additional income tax refunds. The related benefit will be recorded in the first quarter of 2002.

21

PENTACON, INC.
CONSOLIDATED BALANCE SHEETS

	June 30, 2002	December 31, 2001
	(Unaudited)	
	(in thousands, except share data)	
ASSETS		
Cash and cash equivalents.....	\$ 225	\$ 49
Accounts receivable.....	29,038	30,767
Inventories.....	71,674	77,871
Refundable income taxes.....	3,789	2,129
Other current assets.....	4,470	1,679
	-----	-----
Total current assets.....	109,196	112,495
	-----	-----
Property and equipment, net.....	11,382	12,780
Goodwill, net	37,123	125,927
Other assets.....	3,827	4,172
	-----	-----
Total assets.....	\$ 161,528	\$ 255,374
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES NOT SUBJECT TO COMPROMISE:

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

Accounts payable.....	\$ 5,007	\$ 18,191
Accrued expenses.....	1,626	9,776
Accrued interest.....	-	3,085
Current maturities of long-term debt.....	50,417	60,341
	-----	-----
Total current liabilities.....	57,050	91,393
Long-term debt, net of current maturities.....	-	99,120
	-----	-----
Total liabilities not subject to compromise.....	57,050	190,513
	-----	-----
LIABILITIES SUBJECT TO COMPROMISE:		
Accounts payable.....	16,374	-
Accrued expenses.....	6,686	-
Accrued interest.....	7,950	-
Current maturities of long-term debt.....	97,974	-
Long-term debt, net of current maturities.....	1,366	-
	-----	-----
Total liabilities subject to compromise.....	130,350	-
	-----	-----
Total liabilities.....	187,400	190,513
	-----	-----
Commitments and contingencies		
Preferred stock, \$.01 par value, 10,000,000 shares authorized, no shares issued and outstanding.....	-	-
Common stock, \$.01 par value, 51,000,000 shares authorized, 16,918,613 and 16,960,139 shares issued and outstanding in 2002 and 2001, respectively.....	169	170
Additional paid in capital.....	101,354	101,322
Retained deficit.....	(127,390)	(36,643)
Accumulated comprehensive income (loss).....	(5)	12
	-----	-----
Total stockholders' equity (deficit).....	(25,872)	64,861
	-----	-----
Total liabilities and stockholders' equity (deficit)....	\$ 161,528	\$ 255,374
	=====	=====

The accompanying notes are an integral part of these statements.

22

PENTACON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,	Six
	-----	-----
	2002	2001
	2002	2001

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

	-----	-----	-----
		(in thousands, except s	
Revenues.....	\$ 52,277	\$ 70,230	\$ 1
Cost of sales.....	36,981	54,786	
	-----	-----	-----
Gross profit.....	15,296	15,444	
Operating expenses.....	13,951	16,148	
Goodwill amortization.....	-	864	
	-----	-----	-----
Operating income (loss).....	1,345	(1,568)	
Other (income) expense, net.....	(35)	(7)	
Interest expense.....	2,985	4,559	
	-----	-----	-----
Income (loss) before taxes.....	(1,605)	(6,120)	
Income taxes.....	-	(1,181)	
	-----	-----	-----
Income (loss) before cumulative effect of change in accounting principle.....	(1,605)	(4,939)	
Cumulative effect of change in accounting principle, net of tax.....	-	-	(
	-----	-----	-----
Net income (loss).....	\$ (1,605)	\$ (4,939)	\$ (
	=====	=====	=====
Net income (loss) per share:			
Basic.....			
Before cumulative effect of change in accounting principle.....	\$ (0.09)	\$ (0.29)	\$
Cumulative effect of change in accounting principle, net of tax.....	-	-	\$
	-----	-----	-----
Net income (loss).....	\$ (0.09)	\$ (0.29)	\$
Diluted.....			
Before cumulative effect of change in accounting principle.....	\$ (0.09)	\$ (0.29)	\$
Cumulative effect of change in accounting principle, net of tax.....	-	-	\$
	-----	-----	-----
Net income (loss).....	\$ (0.09)	\$ (0.29)	\$
Reconciliation of net income (loss) to comprehensive income (loss):			
Net income (loss).....	\$ (1,605)	\$ (4,939)	\$ (9
Currency translation adjustment.....	(16)	(7)	
	-----	-----	-----
Comprehensive income (loss).....	\$ (1,621)	\$ (4,946)	\$ (9
	=====	=====	=====

The accompanying notes are an integral part of these statements.

PENTACON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended	
	June 30,	
	2002	2001
	(in thousands)	
Cash Flows From Operating Activities:		
Net income (loss).....	\$ (90,748)	\$ (4,857)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization.....	1,707	3,444
Amortization of discount on notes.....	102	90
Deferred income taxes.....	-	(641)
Inventory write down.....	-	5,623
Write-off of goodwill.....	88,804	-
Changes in operating assets and liabilities:		
Accounts receivable.....	1,729	(5,406)
Inventories.....	6,197	3,150
Refundable income taxes.....	(1,659)	-
Other current assets.....	(2,791)	236
Other assets.....	349	552
Accounts payable and accrued expenses.....	6,581	(2,548)
Income taxes payable.....	-	(805)
Net cash provided by (used in) operating activities.....	10,271	(1,162)
Cash Flows From Investing Activities:		
Capital expenditures.....	(456)	(1,981)
Other.....	166	67
Net cash used in investing activities.....	(290)	(1,914)
Cash Flows From Financing Activities:		
Repayments of term debt.....	(87)	(244)
Net borrowings (repayments) under credit facility.....	(9,718)	3,284
Net cash provided by (used in) financing activities.....	(9,805)	3,040
Increase (decrease) in cash and cash equivalents.....	176	(36)
Cash and cash equivalents, beginning of period.....	49	158
Cash and cash equivalents, end of period.....	\$ 225	\$ 122

The accompanying notes are an integral part of these statements.

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

PENTACON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2002
(UNAUDITED)

1. BASIS OF PRESENTATION

The consolidated financial statements of Pentacon, Inc. (the "Company") included herein have been prepared without audit pursuant to the Rules and Regulations for reporting on Form 10-Q. Accordingly, certain information and footnotes required by generally accepted accounting principles for complete financial statements are not included herein. The Company believes all adjustments necessary for a fair presentation of these statements have been included and are of a normal and recurring nature. There has been no significant change in the accounting policies of the Company during the periods presented, with the exception of the adoption of the provisions of bankruptcy accounting described below and the new accounting pronouncement on accounting for goodwill described in Note 2. The statements should be read in conjunction with the financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

The balance sheet at December 31, 2001 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

On May 23, 2002, the Company and certain of its subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Southern District of Texas. A substantial portion of the Company's business involves sales to the aerospace industry. Primarily as a result of the September 11th events in New York and Washington D.C., aerospace manufacturers substantially reduced their business, resulting in decreased business for the Company. In addition, the Company's senior lenders had imposed restrictions on the Company's credit availability. The downturn in the Company's business since September 11th combined with the decrease in credit availability resulted in the Company being unable to repay its debts in accordance with stated terms. Therefore, the Company sought protection under Chapter 11 of the Bankruptcy Code. Also on May 23, 2002, the Company entered into an agreement to sell substantially all of its assets to Anixter International, Inc. ("Anixter"). Under the agreement, Anixter has agreed to assume all pre and post petition trade accounts payable. The sale to Anixter and the Company's Plan of Reorganization have the support of the holders of a majority of the Company's 12.25% Senior Subordinated Notes (the "Notes") due April 1, 2009 and the committee of its unsecured creditors. In addition, as of May 23, 2002, the Company entered into a \$60.5 million debtor-in-possession credit facility (the "Credit Facility") with its existing bank group (see Note 4).

Prior to the bankruptcy filing, the Company did not make the \$6.1 million interest payment due April 1, 2002 under the terms of the Company's Notes. As of May 23, 2002, the Company discontinued accruing interest on the Notes. Contractual interest on the Notes for the quarter ended June 30, 2002 was \$3.1 million, which is \$1.4 million in excess of recorded interest expense included in the accompanying financial statements.

The Company is in possession of its properties and assets and continues to manage its business as a debtor-in-possession subject to the supervision of the Bankruptcy Court. Pursuant to the provisions of the Bankruptcy Code, all actions to collect upon any of the Company's liabilities as of the petition date or to enforce pre-petition date contractual obligations, including the Notes, were

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

automatically stayed. Absent approval from the Bankruptcy Court, the Company is prohibited from paying pre-petition obligations. However, the Bankruptcy Court has approved payment of certain pre-petition liabilities such as employee wages and benefits and certain other pre-petition obligations. Additionally, the Bankruptcy Court has approved the retention of legal and financial professionals. As a debtor-in-possession, the Company has the right, subject to Bankruptcy Court approval and certain other conditions, to assume or reject any pre-petition executory contracts and unexpired leases. Parties affected by such rejections may file claims with the Bankruptcy Court in accordance with bankruptcy procedures.

25

Although the Chapter 11 Bankruptcy filing raises substantial doubt about the Company's ability to continue as a going concern, the accompanying financial statements have been prepared on a going concern basis. This basis contemplates the continuity of operations, realization of assets, and discharge of liabilities in the ordinary course of business. The statements also present the assets of the Company at historical cost and the current intention that they will be realized as a going concern and in the normal course of business. The Plan of Reorganization could materially change the amounts currently disclosed in the financial statements.

The accompanying financial statements do not present the amount which may ultimately be paid to settle liabilities and contingencies which may be allowed in the Chapter 11 Bankruptcy cases. Under Chapter 11 Bankruptcy, the right of, and ultimate payment by the Company to pre-petition creditors may be substantially altered. This could result in claims being paid in the Chapter 11 Bankruptcy proceedings at less (and possibly substantially less) than 100 percent of their face value. At this time, because of material uncertainties, pre-petition claims are carried at face value in the accompanying financial statements. Under the Bankruptcy Code, the Company may elect to assume or reject real estate leases, employment contracts, personal property leases, service contracts and other executory pre-petition contracts, subject to Bankruptcy Court review. The Company cannot presently determine or reasonably estimate the ultimate liability that may result from claims filed as a result of rejecting leases and contracts, and no provisions have been made for these items. Moreover, the interests of existing shareholders could, among other things, be very substantially diluted or even eliminated. Further information about the financial impact of the Chapter 11 Bankruptcy filing is set forth in item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

On September 9, 2002 the United States Bankruptcy Court for the Southern District of Texas issued an order confirming the Company's Plan of Reorganization which included the sale of substantially all of its assets to Anixter. On September 20, 2002 substantially all of the Company's assets were sold to Anixter for \$108.2 million. Additionally, Anixter assumed pre-bankruptcy liabilities totaling \$16.5 million, and Anixter hired the existing employees of the Company and assumed the lease obligations of certain operating facilities.

Bankruptcy Accounting: Since the Chapter 11 Bankruptcy filings, the Company has applied the provisions in Statement of Position ("SOP") 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code." SOP 97-1 does not change the application of generally accepted accounting principles in the preparation of financial statements. However, it does require that the financial statements for periods including and subsequent to filing the Chapter 11 petition distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. The financial statements include reclassifications made to reflect the liabilities which have been deferred under the Chapter 11 proceedings as "Liabilities Subject to Compromise".

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

Recently Issued Accounting Standards: In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of". SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell. The Company adopted this standard in the quarter ended March 31, 2002. The adoption had no impact on the Company's financial position or results of operations.

26

2. GOODWILL

Effective January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which establishes new accounting and reporting requirements for goodwill and other intangible assets. Under SFAS No. 142, all goodwill amortization ceased effective January 1, 2002. Goodwill amortization for the quarter and six months ended June 30, 2002 would have otherwise been \$864,000 and \$1,728,000, respectively. Recorded goodwill attributable to each of the Company's reporting units were tested for impairment by comparing the fair value of each reporting unit with its carrying value. Fair value was determined using discounted cash flows, market multiples and market capitalization. These impairment tests are required to be performed upon adoption of SFAS No. 142 and at least annually thereafter.

Significant estimates used in the impairment tests include estimates of future cash flows, future short-term and long-term growth rates, weighted average cost of capital and estimates of market multiples for each of the reportable units. On an ongoing basis (absent any impairment indicators), the Company expects to perform its impairment tests during the fourth quarter.

Based on its initial impairment tests, the Company recognized a charge of \$88,804,000 (\$5.24 per share) in the first quarter of 2002 to reduce the carrying value of goodwill of each of its reporting units to the implied fair value. This impairment is a result of adopting a fair value approach, under SFAS No. 142, to testing impairment of goodwill as compared to the previous method utilized in which evaluations of goodwill impairment were made using the estimated future undiscounted cash flows compared to the assets' carrying amount. Under SFAS No. 142, the impairment adjustment recognized at adoption of the new rules was reflected as a cumulative effect of change in accounting principle in the first quarter 2002 statement of operations. Impairment adjustments recognized after adoption, if any, generally are required to be recognized as operating expenses.

The carrying amount of goodwill attributable to each reportable operating unit with goodwill balances and changes therein follows:

	January 1, 2002	Impairment Adjustment	June 30, 2002
	-----	-----	-----
	(in thousands)		
Aerospace	\$ 74,675	\$ (70,944)	\$ 3,731
Industrial	51,252	(17,860)	33,392
	-----	-----	-----
	\$ 125,927	\$ (88,804)	\$ 37,123
	=====	=====	=====

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

3. RESTRUCTURING AND OTHER CHARGES

In November 2001, the Company implemented a restructuring plan to reduce annual operating expenses. The Company closed five distribution facilities and implemented workforce reductions. The Company recognized a \$2,620,000 restructuring charge in the fourth quarter relating to implementation of the plan. In the second quarter of 2001, the Company recorded a \$967,000 restructuring charge for the relocation of its corporate office from Houston, Texas to Chatsworth, California and a \$345,000 restructuring charge for cost reduction initiatives in the industrial group.

27

Below is the activity related to the restructuring charges recognized during the six months ended June 30, 2002 (amounts in thousands):

Income Statement Classification	Unpaid Balance Description of Charges	at December 31, 2001	Noncash Activity (1)	Cash Activity	Unpaid B June
-----	-----	-----	-----	-----	-----
Restructuring and other charges	Termination benefit costs	\$ 1,392	\$ -	\$ (828)	\$ 5
Restructuring and other charges	Facility costs	1,622	(179)	(213)	1,2

(1) The noncash activity relates to the write-off of leasehold improvements.

The Company recognized charges totaling \$39,053,000 for the write-off of excess inventory during the year ended December 31, 2001. The noncash write-offs of excess aerospace and telecommunications inventory were recorded based upon a review of the anticipated reduced future demand for the inventory resulting from decreased usage levels. In addition, certain aerospace inventory was disposed of during the year ended December 31, 2001 in order to take advantage of cash flows and tax benefits. At December 31, 2001, the remaining allowance for this excess inventory was \$36,066,000. During the six months ended June 30, 2002, the Company recognized \$300,000 as a result of disposing of the inventory to which the allowance related.

4. DEBT

In March 1999, the Company sold \$100 million of Notes due April 1, 2009. The net proceeds of \$94.2 million, after the original issue discount and paying underwriter's commissions, were used to repay indebtedness under the Company's Credit Facility. The Notes accrue interest at 12.25% per annum which is payable on April 1 and October 1 of each year. The Notes are publicly-registered and subordinated to all existing and future senior subordinated obligations and will rank senior to all subordinated indebtedness. The indenture governing the Notes contains covenants that limit the Company's ability to incur additional indebtedness, pay dividends, make investments and sell assets. Each of the Company's subsidiaries, which are wholly owned, fully, unconditionally and jointly and severally guarantees the Notes on a senior subordinated basis.

The Company did not make the interest payment on the Notes due April 1, 2002 and, as a result, was not in compliance with the covenants. On May 23, 2002, the Company amended the Restructuring Agreement with certain holders of a majority of the Notes whereby the noteholders agreed to support the sale of substantially all the Company's assets to Anixter and the Company's Plan of

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

Reorganization in lieu of finalizing the transaction wherein the Company had agreed with the holders to effect a recapitalization of the Company.

As of May 23, 2002, the Company entered into a debtor-in-possession Credit Facility. The \$60.5 million Credit Facility is subject to a borrowing base limitation and secured by Company stock and assets. Advances under the Bank Credit Facility bear interest at the banks' prime rate plus 175 basis points. The Credit Facility contains a provision for standby letters of credit up to \$2.5 million. The Credit Facility prohibits the payment of dividends by the Company, restricts the Company's incurring or assuming other indebtedness and requires the Company to comply with certain financial covenants. At June 30, 2002, the Company was in compliance with the covenants and had approximately \$9.9 million of availability under the facility.

28

5. EARNINGS (LOSS) PER SHARE

Basic and diluted net income (loss) per share is computed based on the following information:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	(in thousands)			
BASIC:				
Net income (loss).....	\$ (1,605)	\$ (4,939)	\$ (90,749)	\$ (4,857)
	=====	=====	=====	=====
Average common shares.....	16,943	16,906	16,951	16,847
	=====	=====	=====	=====
DILUTED:				
Net income (loss).....	\$ (1,605)	\$ (4,939)	\$ (90,749)	\$ (4,857)
	=====	=====	=====	=====
Average common shares.....	16,943	16,906	16,951	16,847
Common share equivalents:				
Warrants.....	-	-	-	-
Options.....	-	8	-	11
	-----	-----	-----	-----
Total common share equivalents...	-	8	-	11
	-----	-----	-----	-----
Average common shares and Common share equivalents.....	16,943	16,914	16,951	16,858
	=====	=====	=====	=====

Options to purchase 1,018,396, 1,195,218, and 1,175,218 shares of common stock were not included in the diluted net income per share calculation for the three and six months ended June 30, 2002, three months ended June 30, 2001 and six months ended June 30, 2001, respectively, because the exercise prices were greater than the average market price.

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

6. INCOME TAXES

The Job Creation and Workers Act, which was enacted in March 2002, provides that net operating loss carryback claims for the years ended December 31, 2001 and 2002 are extended from two years to five years. As a result, the Company can carryback its \$5,696,000 tax loss carryover as of December 31, 2001 and realize \$1,659,000 of additional income tax refunds. The related benefit was recorded in the quarter ended March 31, 2002. The Company recorded a valuation allowance against the tax benefit which results from the loss in the six months ended June 30, 2002 since realization of the benefit is not assured.

For the six months ended June 30, 2001, the provision for income taxes included in the Consolidated Statements of Operations assumes the application of statutory federal and state income tax rates and the non-deductibility of goodwill amortization.

Interim period income tax provisions are based upon estimates of annual effective tax rates and events may occur which will cause such rates to vary.

7. COMMITMENTS AND CONTINGENCIES

The Company is involved in various legal proceedings that have arisen in the ordinary course of business. While it is not possible to predict the outcome of such proceedings with certainty, in the opinion of the Company, all such proceedings are either adequately covered by insurance or, if not so covered, should not ultimately result in any liability which would have a material adverse effect on the financial position, liquidity or results of operations of the Company.

29

8. SEGMENT INFORMATION

The Company has two principal operating segments: the Industrial Group and the Aerospace Group. The Industrial Group serves a broad base of industrial manufacturers producing items such as diesel engines, locomotives, power turbines, motorcycles, telecommunications equipment, and refrigeration equipment. The Aerospace Group serves the aerospace and aeronautics industries. Financial information by industry segment follows:

	Revenues			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	(in thousands)			
Industrial.....	\$ 31,383	\$ 33,893	\$ 61,619	\$ 70,241
Aerospace.....	20,894	36,337	46,463	71,300
	-----	-----	-----	-----
	\$ 52,277	\$ 70,230	\$ 108,082	\$ 141,541
	=====	=====	=====	=====
	Operating Income			

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	(in thousands)			
Industrial (1).....	\$ 3,047	\$ 2,838	\$ 5,519	\$ 6,009
Aerospace (2).....	1,414	(1,693)	3,969	1,729
	4,461	1,145	9,488	7,738
Reconciliation to income (loss) before taxes:				
Other income (expense), net.....	35	7	71	5
General corporate expense (3).....	(3,116)	(1,849)	(5,628)	(2,875)
Goodwill amortization.....	-	(864)	-	(1,728)
Interest expense.....	(2,985)	(4,559)	(7,534)	(9,158)
Income (loss) before taxes.....	\$ (1,605)	\$ (6,120)	\$ (3,603)	\$ (6,018)

- (1) Industrial operating income for the three and six months ended June 30, 2002 includes costs of \$26 and \$61, respectively, related to the Company's Chapter 11 filing. Industrial operating income for the three and six months ended June 30, 2001 includes \$345 of costs related to cost reduction initiatives.
- (2) Aerospace operating income for the three and six months ended June 30, 2001 includes a \$5,623 charge related to the write down of inventory.
- (3) General corporate expense for the three and six months ended June 30, 2002 includes \$2,318 and \$3,878, respectively, of costs related to professional fees incurred in connection with the Company's restructuring, Chapter 11 filing and workforce reductions. General corporate expense for the three and six months ended June 30, 2001 includes \$967 of costs related to the relocation of the corporate office from Houston, Texas to Chatsworth, California.

30

ANIXTER INTERNATIONAL INC.

Pro Forma Consolidated Statements of Operations Introduction

The following unaudited pro forma consolidated financial statements have been prepared from the historical consolidated financial statements of Anixter International Inc. (the "Company"). The Pentacon, Inc. ("Pentacon") column in the following unaudited pro forma consolidated financial statements reflects the historical financial statements of Pentacon for the year ended December 31, 2001 and for the 38 week period ended September 19, 2002.

The unaudited pro forma consolidated statements of operations have been adjusted to reflect the Pentacon acquisition as described under Item 2 in the Company's 8-K dated September 20, 2002. The unaudited pro forma consolidated statements of operations assume that the Pentacon acquisition occurred as of December 30, 2000. The Pentacon acquisition is reflected in the Company's consolidated balance sheet at September 27, 2002, the most recent period for

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

which a consolidated balance sheet was required. Accordingly, a pro forma balance sheet is not required and is not included herein. In the opinion of management, all adjustments to present fairly the unaudited pro forma consolidated statements of operations have been made.

The unaudited pro forma statements of operations should be read in conjunction with the Company's historical consolidated financial statements including the notes thereto, set forth in the Company's Annual Report on Form 10-K for the year ended December 28, 2001; the Company's historical consolidated financial statements including the notes thereto, set forth in the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 27, 2002 and Pentacon's historical consolidated financial statements and notes thereto included elsewhere in this report. Anixter acquired the operations and assets of Pentacon as part of a pre negotiated plan of reorganization by Pentacon under Chapter 11 of the U. S. Bankruptcy Code. The historical results of Pentacon used in the preparation of these pro forma statements reflect certain costs and expenses that are not a part of the acquired assets. The unaudited pro forma consolidated statements of operations are not necessarily indicative of the results that would have occurred had the purchase been made at the beginning of the period presented, nor do they purport to indicate the results of the future operations of the Company.

31

ANIXTER INTERNATIONAL INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 28, 2001
(Unaudited)

(In millions, except per share amounts)

	Anixter International Inc. As Reported	Pentacon, Inc.	Pro Forma Adjustments
	-----	-----	-----
Net sales	\$ 3,144.2	\$ 259.4	\$ -
Cost of goods sold	2,407.3	220.6	-
	-----	-----	-----
Gross profit	736.9	38.8	-
Operating expenses	594.2	58.6	(2.2)
Amortization expense	9.0	3.5	(1.9)
Restructuring and other charges	31.7	3.9	-
	-----	-----	-----
Operating income (loss)	102.0	(27.2)	4.1
Interest expense	(30.1)	(18.0)	12.8
Other, net	(13.7)	(0.6)	-
	-----	-----	-----
Income (loss) before income taxes and extraordinary loss	58.2	(45.8)	16.9
Income tax expense (benefit)	24.6	6.7	(18.9)
	-----	-----	-----
Income (loss) before extraordinary loss	\$ 33.6	\$ (52.5)	\$ 35.8
	=====	=====	=====

Basic income per share before extraordinary loss

Diluted income per share before extraordinary loss

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

32

ANIXTER INTERNATIONAL INC.
 PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
 For the 39 Weeks Ended September 27, 2002
 (Unaudited)

(In millions, except per share amounts)

	Anixter International Inc. As Reported	Pentacon, Inc.	Pro Forma Adjustments
	-----	-----	-----
Net sales	\$ 1,858.3	\$ 153.8	\$ -
Cost of goods sold	1,418.9	110.6	-
	-----	-----	-----
Gross profit	439.4	43.2	-
Operating expenses	373.3	39.7	(5.2)
Amortization expense	-	-	1.2
	-----	-----	-----
Operating income	66.1	3.5	4.0
Interest expense	(11.9)	(8.8)	4.9
Other, net	0.9	0.1	-
	-----	-----	-----
Income (loss) before income taxes and extraordinary loss	55.1	(5.2)	8.9
Income tax expense (benefit)	22.0	(1.9)	3.4
	-----	-----	-----
Income (loss) before extraordinary loss	\$ 33.1	\$ (3.3)	\$ 5.5
	=====	=====	=====

Basic income per share before extraordinary loss

Diluted income per share before extraordinary loss

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

33

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Pro Forma Statements of Operations

The pro forma adjustments to the accompanying financial information for the year ended December 28, 2001 and for the 39 weeks ended September 27, 2002 are described below:

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

(a) To reduce both rental expense for facilities that were not acquired and legal and professional fees that were directly related to the bankruptcy proceedings of Pentacon.

(b) This adjustment reflects the exclusion of the 2001 goodwill amortization expense incurred by Pentacon, partially offset by purchase accounting adjustments for the amortization of \$13.9 million of other intangibles with finite lives.

(c) To reflect the exclusion of total interest expense incurred by Pentacon, partially offset by the interest expense that would have been incurred by Anixter resulting from \$110.4 million of borrowings used to fund the acquisition at an annualized interest rate of 4.75% over the respective period.

(d) To record the estimated income tax expense impacts related to the pro forma adjustments (a) through (c) above and the inclusion of Pentacon at the combined federal and state effective income tax rates of 40.0% and 42.2% for 2002 and 2001, respectively.

Note 2. Restructuring and Other Charges

In 2001, Pentacon initiated a plan to restructure its current business operations and conducted an assessment of its business in the aerospace and telecommunication industries in view of the impact of the September 11, 2001 events in New York and Washington, D.C. and the financial difficulties in the telecommunications industry. As a result, Pentacon recorded restructuring and other charges of \$54.6 million. Included in cost of sales are charges totaling \$39.1 million for the write-off of inventory. Of that total, \$33.5 million related to noncash write-offs of excess aerospace and telecommunications inventory based on a review of the anticipated future demand for the inventory resulting from decreased usage levels. The remaining \$5.6 million represented a noncash charge resulting from offering \$9.8 million of slower moving inventory at substantially reduced prices in order to take advantage of the cash flows and tax benefits. The remaining \$15.5 million of restructuring and other charges resulted from the write-down of deferred tax assets, termination benefit costs, closing of five distribution facilities, professional fees and write-off of debt issuance costs. See Note 2 "Restructuring and Other Charges" in Pentacon's 10-K for the year ended December 31, 2001 for additional information.

34

Note 3. Allocation of Purchase Price

The Company's acquisition of Pentacon was accounted for as a purchase. Assets and liabilities have been recorded at estimated fair value based on the following preliminary allocation of purchase price. During the fourth quarter of 2002, the Company preliminarily identified certain intangible assets. Intangible assets with finite lives totaling \$13.9 million will be amortized over their useful lives of 8 to 10 years, while intangible assets with indefinite lives and goodwill of \$1.8 million and \$8.6 million, respectively, will not be amortized.

Estimated purchase price	\$ 108.2	
Other transaction-related costs	3.2	

Total investment		111.4
Tangible assets acquired	117.8	
Intangible assets acquired	15.7	
Liabilities assumed	(30.7)	

Net assets acquired		102.8

Edgar Filing: ANIXTER INTERNATIONAL INC - Form 8-K/A

Goodwill

\$ 8.6
=====

35

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ANIXTER INTERNATIONAL INC.

Date: November 27, 2002

By: /s/ Robert W.Grubbs

Robert W. Grubbs
President and Chief Executive Officer

Date: November 27, 2002

By: /s/ Dennis J. Letham

Dennis J. Letham
Senior Vice President - Finance
and Chief Financial Officer

36

EXHIBIT INDEX

Exhibit No.

Description of Exhibits

23

Consent of Ernst and Young LLP

37