

**Aavid Thermalloy UK Holdings Limited and subsidiary undertakings**

Annual report and consolidated financial statements  
for the year ended 31 December 2002

Registered number: 3859614



A20  
COMPANIES HOUSE

\*A769MQDL\*

0785  
26/11/03

## Directors' report

### **Directors**

B R Patel

J W Mitchell

### **Secretary**

J W Mitchell

### **Registered office**

Cheney Manor

Swindon

SN2 2QN

### **Auditors**

Ernst & Young LLP

One Bridewell Street

Bristol

BS1 2AA

### **Bankers**

HSBC Bank Plc

Swindon Civic Centre Branch

Swindon

SN1 1PW

### **Solicitors**

Macfarlanes

10 Norwich Street

London

EC4A 1BD

## Directors' report

The directors present their annual report on the affairs of the group, together with the consolidated financial statements for the year ended to 31 December 2002.

### Principal activities

The principal activity of the company is that of an investment holding company. The principal activity of the group is the manufacture of semiconductor heatsink units and accessories.

### Results and dividends

The group's loss for the year after taxation was £268,000 (2001: profit of £91,000). The directors are unable to recommend a dividend (2001: £nil).

### Business review

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

The consolidated accounts have been prepared on the going concern basis because the parent company, Aavid Thermal Technologies Inc, has agreed to provide the group with sufficient financial support to enable it to meet its debts as they fall due for a period of 12 months from the date of approval of these accounts.

### Directors and their interests

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

B R Patel

J W Mitchell (appointed 25 July 2002)

None of the directors had any interests in the share capital of the company requiring disclosure under the Companies Act 1985.

### Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

## Independent auditors' report to the members of Aavid Thermalloy UK Holdings Limited

### **Directors' responsibilities (continued)**

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

### **Auditors**

Arthur Andersen resigned as auditors on 31 July 2002. Deloitte and Touche were appointed as auditors on 1 August 2002. They subsequently resigned and were replaced by Ernst & Young LLP. The directors will propose a resolution at the company's Annual General Meeting to reappoint Ernst & Young LLP as auditors for the ensuing year.

Cheney Manor  
Swindon  
SN2 2QN

By order of the Board,



B R Patel  
Director

23 October 2003

## Independent auditors' report to the members of Aavid Thermalloy UK Holdings Limited

We have audited the group's financial statements for the year ended 31 December 2002 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

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

### **Basis of audit opinion**

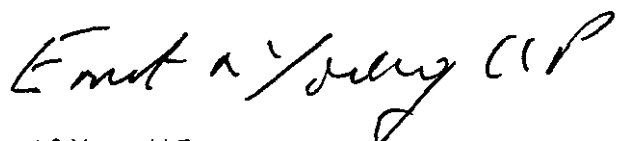
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates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

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

Independent auditors' report to the members of  
Aavid Thermalloy UK Holdings Limited (Continued)

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Ernst & Young LLP', is written above the printed name of the firm.

Ernst & Young LLP  
Registered Auditor  
One Bridewell Street  
Bristol  
BS1 2AA

24 November 2003

# Consolidated profit and loss account

For the year ended 31 December 2002

	Notes	2002 £000	2001 £000
<b>Turnover</b>	2	6,722	9,400
Cost of sales		(4,369)	(6,161)
<b>Gross profit</b>		2,353	3,239
Selling and distribution		(999)	(1,203)
Administration		(1,423)	(1,900)
<b>Operating (loss) / profit</b>		(69)	136
Interest receivable	3	29	10
Interest payable and similar charges	4	(278)	(298)
<b>Loss on ordinary activities before taxation</b>	5	(318)	(152)
Tax on loss on ordinary activities	7	50	243
<b>(Loss) / profit on ordinary activities after taxation, being retained (loss) / profit for the year</b>	16	(268)	91

There were no recognised gains or losses other than the result for each year. Accordingly, a statement of total recognised gains and losses has not been presented.

The accompanying notes are an integral part of this profit and loss account.

All results are derived from continuing operations.

# Consolidated balance sheet

31 December 2002

	Notes	2002 £000	2001 £000
<b>Fixed assets</b>			
Goodwill	8	6,876	7,283
Negative goodwill	8	(769)	(814)
		<u>6,107</u>	<u>6,469</u>
Tangible assets	9	904	974
		<u>7,011</u>	<u>7,443</u>
<b>Current assets</b>			
Stocks	11	652	1,213
Debtors	12	3,226	3,043
Cash at bank and in hand		445	723
		<u>4,323</u>	<u>4,979</u>
<b>Creditors: Amounts falling due within one year</b>	13	(7,400)	(8,317)
<b>Net current liabilities</b>		<u>(3,077)</u>	<u>(3,338)</u>
<b>Total assets less current liabilities</b>		3,934	4,105
<b>Provisions for liabilities and charges</b>	14	(222)	(125)
<b>Net assets</b>		<u>3,712</u>	<u>3,980</u>
<b>Capital and reserves</b>			
Called-up share capital	15	3,142	3,142
Share premium account	16	3,000	3,000
Profit and loss account	16	(2,430)	(2,162)
<b>Equity shareholders' funds</b>	16	<u>3,712</u>	<u>3,980</u>

The accompanying notes form an integral part of this consolidated balance sheet.

The accounts on pages 6 to 20 were approved by the board of directors on 23 October 2003 and were signed on its behalf by:

  
B R Patel

Director



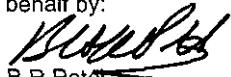
# Company balance sheet

31 December 2002

	Notes	2002 £000	2001 £000
<b>Fixed assets</b>			
Investments	10	13,261	13,261
<b>Creditors: Amounts falling due within one year</b>	13	(8,007)	(8,560)
<b>Net current liabilities</b>		(8,007)	(8,560)
<b>Total assets less current liabilities</b>		5,254	4,701
<b>Net assets</b>		5,254	4,701
<b>Capital and reserves</b>			
Called-up share capital	15	3,142	3,142
Share premium account	16	3,000	3,000
Profit and loss account	16	(888)	(1,441)
<b>Equity shareholders' funds</b>	16	5,254	4,701

The accompanying notes form an integral part of this balance sheet.

The accounts on pages 6 to 20 were approved by the board of directors on 23 October 2003 and were signed on its behalf by:

  
B R Patel  
Director

23 October 2003

## Notes to consolidated financial statements

31 December 2002

### 1 Accounting policies

The principal accounting policies of the group are summarised below.

#### a) Basis of preparation

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

The accounts have been prepared under the going concern basis of accounting because the company's ultimate parent undertaking, Aavid Thermal Technologies Inc, has agreed to provide the financial support necessary to enable the group to continue to be able to meet its debts as they fall due for a period of twelve months from the date of approval of these accounts.

#### b) Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiary undertakings drawn up to 31 December 2002. The results of subsidiaries acquired are consolidated for the periods from which control passed. Acquisitions are accounted for under the acquisition method with goodwill, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, being capitalised and amortised over of its useful economic life, being twenty years. Provision is made for any impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

No profit and loss account for the company has been presented as permitted by the Companies Act 1985. The company's profit for the period, determined in accordance with the Act, was £553,000 (2001 – loss of £391,000).

#### c) Cash flow statement

The group has taken advantage of the exemption available under Financial Reporting Standard No.1 (revised), 'Cash Flow Statements', not to present a cash flow statement because the accounts of the group are included in the consolidated accounts of its parent company, Aavid Thermal Technologies Inc, which are publicly available and include a cash flow statement.

#### d) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value over their useful economic lives as follows:

Plant and machinery	4-5 years
Fixtures, fittings and equipment	3-20 years
Leasehold land and buildings	over the term of the lease

## Notes to consolidated financial statements

31 December 2002

### 1 Accounting policies

#### d) *Tangible fixed assets (continued)*

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

#### e) *Investments*

Fixed asset investments are stated at cost less any provision for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### f) *Leases*

Operating lease rentals are charged to the profit and loss account over the period of the lease.

#### g) *Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufactured overheads based on normal levels of activity. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made where necessary for obsolete, slow-moving and defective stocks.

#### h) *Foreign currency*

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### i) *Turnover*

Turnover represents amounts receivable for goods and services provided, net of trade discounts, VAT and other sales related taxes.

#### j) *Product development*

Expenditure is charged to the profit and loss account in the period in which it is incurred.

#### k) *Taxation*

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that will result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

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

## Notes to consolidated financial statements

31 December 2002

### 1 Accounting policies (continued)

#### l) Pension costs

The group's employees have the option to join a defined contribution group personal pension plan. Contributions payable by the group to this defined contribution plan are charged to the profit and loss account in the period to which they relate and any outstanding amounts are included at the balance sheet in accruals at the year-end.

#### m) Change in accounting policy

The adoption of FRS19 has resulted in a change of accounting policy for deferred tax. Deferred tax is now accounted for in accordance with the accounting policy described above. Due to the presence of unrecognised deferred tax assets, the change in accounting policy has not had any effect on the amounts reported previously.

### 2 Turnover

The turnover and profit before taxation were attributable to the group's principal activity. The directors are of the opinion that any further disclosure of the source and destination of the group's turnover would be seriously prejudicial to the business.

### 3 Interest receivable

	2002 £000	2001 £000
Bank interest receivable	11	10
Interest receivable from group undertakings	18	-
	<u>29</u>	<u>10</u>

### 4 Interest payable and similar charges

	2002 £000	2001 £000
Interest on intercompany loan	(260)	(298)
Interest on bank loan	(18)	-
	<u>(278)</u>	<u>(298)</u>

### 5 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging (crediting):

# Notes to the consolidated financial statements (continued)

31 December 2002

	2002 £000	2001 £000
Amortisation of goodwill	407	407
Release of negative goodwill	(45)	(45)
Depreciation of owned assets	243	249
Foreign exchange (gain)/loss	(419)	282
Product development costs	250	211
Operating lease rentals		
- property	54	79
Hire of plant and machinery	11	17
Auditor's remuneration		
- audit services	27	25
- non-audit services	14	11
Exceptional costs of plant closure	-	210

Included in administrative expenses are exceptional costs of plant closure of £nil (2001 - £210,000) related to the costs of consolidating the group's operating locations comprising principally fixed asset write-downs and severance costs.

## Notes to consolidated financial statements

31 December 2002

### 6 Staff costs

The average monthly number of employees of the group during the year was:

	2002 Number	2001 Number
Manufacturing	45	50
Selling and distribution	19	21
Administration	9	9
	<u>73</u>	<u>80</u>

	2002 £000	2001 £000
Their payroll costs were:		
Wages and salaries	1,265	1,722
Social security costs	119	163
Other pension	53	81
	<u>1,437</u>	<u>1,966</u>

#### *Directors' remuneration*

The directors received no remuneration for services to the company or its subsidiary undertakings during the year.

### 7 Tax on loss on ordinary activities

	2002 £000	2001 £000
The tax credit comprises:		
UK corporation tax		
Corporation tax on loss for the year	-	160
Adjustments in respect of prior years	50	-
Deferred tax		
Originating and reversing of timing differences	-	83
	<u>50</u>	<u>243</u>

# Notes to consolidated financial statements

31 December 2002

## 7 Tax on loss on ordinary activities (continued)

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2001 – 30%). The differences are explained below:

	2002 £'000	2001 £'000
Loss on ordinary activities before tax	(318)	(152)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(95)	(46)
Effect of:		
Expenses not deductible for tax purposes	4	7
Capital allowances in excess of depreciation	(78)	(41)
Other timing differences	(78)	69
Group relief		
Adjustment in respect of prior years	(50)	-
Unrelieved tax losses	139	-
Other	108	(149)
Total current tax	(50)	(160)

A deferred tax asset of £372,000 (2001 - £389,000) exists at the year-end. The asset is made up of unrelieved tax losses, accelerated depreciation and other timing differences. The asset has not been recognised as it does not fulfil the recognition criteria of FRS 19.

Notes to consolidated financial statements  
31 December 2002

**8 Goodwill**

*Group*

	2002 £000	2001 £000
<i>Positive goodwill</i>		
<b>Cost</b>		
At 1 January and 31 December 2002	8,149	8,149
<b>Amortisation</b>		
At 1 January 2002	(866)	(459)
Charge for year	(407)	(407)
At 31 December 2002	(1,273)	(866)
<b>Net book value</b>		
At 31 December 2002	6,876	7,283
At 31 December 2001	7,283	7,690
<i>Negative goodwill</i>		
<b>Cost</b>		
At 1 January and 31 December 2002	(900)	(900)
<b>Amortisation</b>		
At 1 January 2002	86	41
Charge for year	45	45
At 31 December 2002	131	86
<b>Net book value</b>		
At 31 December 2002	(769)	(814)
At 31 December 2001	(814)	(859)



# Notes to the consolidated financial statements (continued)

31 December 2002

## 9 Tangible fixed assets

<i>Group</i>	Short leasehold property £000	Fixtures and fittings £000	Plant and Machinery £000	Total £000
<b>Cost</b>				
At 1 January 2002	78	629	545	1,252
Additions	-	115	58	173
Disposals	-	-	(38)	(38)
At 31 December 2002	78	744	565	1,387
<b>Depreciation</b>				
At 1 January 2002	(12)	(73)	(193)	(278)
Charge for year	(6)	(125)	(112)	(243)
Disposals	-	-	38	38
At 31 December 2002	(18)	(198)	(267)	(483)
<b>Net book value</b>				
At 31 December 2002	60	546	298	904
At 31 December 2001	66	556	352	974

## 10 Fixed asset investments

	Company 2002 £000	Company 2001 £000
<b>Cost and net book value</b>		
Investments in subsidiary undertakings	13,261	13,261

The principal investments of the company and group are set out below. The company owned 100% of the issued ordinary share capital of each company listed.

<i>Name</i>	<i>Country of registration or incorporation</i>	<i>Nature of business</i>
Aavid Thermalloy Limited	England and Wales	Manufacture of semiconductor heatsink units and accessories
Aavid Thermalloy (UK) Limited	England and Wales	Non-trading
Aavid Thermalloy International Limited	England and Wales	Non-trading

# Notes to the consolidated financial statements (continued)

31 December 2002

## 11 Stocks

	Group 2002 £000	Group 2001 £000
Raw materials	347	482
Work in progress	38	39
Finished goods	267	692
	<u>652</u>	<u>1,213</u>

## 12 Debtors

	Group 2002 £000	Group 2001 £000
<i>Due within one year:</i>		
Trade debtors	1,008	1,800
Owed by group undertakings	1,871	1,014
Prepayments and accrued income	112	74
Corporation tax recoverable	235	155
	<u>3,226</u>	<u>3,043</u>

## 13 Creditors: amounts falling due within one year

	2002 Group £000	2002 Company £000	2001 Group £000	2001 Company £000
Bank loan (secured)	849	-	-	-
Trade creditors	325	-	402	-
Amounts owed to group undertakings	5,959	8,007	7,447	8,560
Other creditors including taxation and social security	42	-	34	-
Accruals and deferred income	225	-	434	-
	<u>7,400</u>	<u>8,007</u>	<u>8,317</u>	<u>8,560</u>

The amounts owed to group undertakings are repayable on demand and bear interest at commercial rates.

The secured bank loan represents a revolving loan from the LaSalle Bank of Chicago, USA, which forms part of a group-wide financing arrangement. The loan bears interest at a rate a margin of 0.5% above LIBOR and is secured by a charge over the trade debtors of the group.

# Notes to the consolidated financial statements (continued)

31 December 2002

## 14 Provisions for liabilities and charges

	Group	Group
	2002	2001
	£'000	£'000
Property costs	<u>222</u>	<u>125</u>

The provision for property costs relates to an unused rented facility at Corby. The movement in the provision during 2002 was as follows:

	Property costs £000
At 1 January 2002	125
Charged to the profit and loss account (administration expenses)	<u>97</u>
At 31 December 2002	<u>222</u>

## 15 Called-up share capital

	2002	2001
	£000	£000
<i>Authorised</i>		
7,520,300 ordinary shares of £1 each	<u>7,520</u>	<u>7,520</u>
<i>Called-up, allotted and fully paid</i>		
3,141,990 ordinary shares of £1 each	<u>3,142</u>	<u>3,142</u>

Notes to consolidated financial statements  
31 December 2002

**16 Reconciliation of group equity shareholders' funds and movements on reserves**

<b>Group</b>	Share capital £000	Share Premium Account £000	Profit and loss account £000	Total £000
At 1 January 2001	3,142	3,000	(2,253)	3,889
Profit for the year	-	-	91	91
At 31 December 2001	3,142	3,000	(2,162)	3,980
Loss for the year	-	-	(268)	(268)
At 31 December 2002	3,142	3,000	(2,430)	3,712

<b>Company</b>	Share capital £000	Share Premium Account £000	Profit and loss account £000	Total £000
At 1 January 2001	3,142	3,000	(1,050)	5,092
Loss for the year	-	-	(391)	(391)
At 31 December 2001	3,142	3,000	(1,441)	4,701
Profit for the year	-	-	553	553
At 31 December 2002	3,142	3,000	(888)	5,254

**17 Operating lease commitments**

The group has commitments under the following operating leases.

	2002 £000	2001 £000
Annual commitments in respect of property which expire:		
Between two and five years	49	51
After five years	3	54
	<u>52</u>	<u>105</u>

The company has no operating lease obligations (2001: £nil).

## Notes to consolidated financial statements

31 December 2002

### **18 Pension arrangements**

The group's employees have the option to join a defined contribution group personal pension plan. Contributions payable by the group to this defined contribution plan are charged to the profit and loss account in the period to which they relate and any outstanding amounts are included at the balance sheet in accruals at the year-end. The total pension charge during the year was £51,000 (2001: £81,000). There were no outstanding contributions at the year-end.

### **19 Guarantees and financial commitments**

As part of a worldwide financing arrangement entered into by the Aavid group with LaSalle Bank of Chicago, USA, the group has entered into a joint and several cross-guarantee of the borrowings of various fellow subsidiary undertakings by way of a charge over its trade debtors. At the date of approval of these accounts, the amount subject to this guarantee was \$18.1m.

### **20 Related party transactions**

As the Company is a wholly owned subsidiary undertaking of Aavid Thermal Technologies Inc., a company registered in the USA, which prepares publicly available consolidated accounts, the Company has taken advantage of the exemption provided under the scope of FRS 8 not to include details of transactions with other companies in the Aavid Group. There are no other related party transactions.

### **21 Ultimate parent undertaking**

The only larger group in which the results of the group are consolidated is that headed by the ultimate parent company and controlling party, Aavid Thermal Technologies Inc, a company registered in the USA. The consolidated financial statements of Aavid Thermal Technologies Inc. are available from One Eagle Square, Suite 509, Concord, New Hampshire 03301, USA.