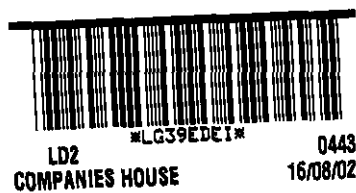


Aavid Thermalloy UK Holdings Limited and subsidiary undertakings

Annual report and consolidated accounts

for the period from 12 October 1999 (date of incorporation) to 31 December 2000

Registered number: 3859614



Directors' report

For the period from 12 October 1999 to 31 December 2000

The directors present their first annual report on the affairs of the group, together with the consolidated accounts for the period from 12 October 1999 to 31 December 2000.

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 period after taxation was £2,253,000. The directors are unable to recommend a dividend. The holder of the company's cumulative redeemable preference shares has irrevocably waived its right to a dividend on those shares in respect of this accounting period.

Business review

The company was incorporated on 12 October 1999 as Aavid Thermal Products UK Holdings Limited. Its initial issued share capital comprised 200 ordinary shares of £1 each. On 21 October 1999 the company acquired the entire issued share capital of Aavid Thermalloy Limited from its parent undertaking for consideration of US\$17,000,000 (£10,261,000) satisfied by intercompany indebtedness. On 21 October 1999 the company acquired *the entire issued share capital of Aavid Thermalloy International Limited for consideration of £1*. On 2 February 2000 the company acquired the entire issued share capital of Aavid Thermalloy (UK) Limited from its parent undertaking for consideration of £3,000,000 satisfied by the issuance of 100 new £1 shares in the company. On the same date the company issued 3,141,690 £1 preference shares to Fluent UK Holdings Limited, a fellow subsidiary company, for cash consideration.

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.

Subsequent event

The company changed its name by special resolution from Aavid Thermal Products UK Holdings Limited to Aavid Thermalloy UK Holdings Limited subsequent to the period-end on 9 May 2001.

Directors' report (continued)

Directors and their interests

The directors who served during the period were as follows:

B R Patel (appointed 12 October 1999)

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

Directors' responsibilities

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.

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 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.

Cheney Manor
Swindon
SN2 2QN

By order of the Board,



B R Patel
Director

31 July 2002

Auditors' report



To the Shareholders of Aavid Thermalloy UK Holdings Limited

We have audited the accounts on pages 4 to 16, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 6 to 8.

Respective responsibilities of director and auditors

As described on page 2 the company's director is responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our professions ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 2000 and of the group's loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Chartered Accountants and Registered Auditors

1 The Square
Temple Quay
Bristol
BS1 6DG

31 July 2002

Consolidated profit and loss account

For the period from 12 October 1999 (date of incorporation) to 31 December 2000

	Note	£'000
Turnover		
Existing operations		-
Acquisitions	3	17,989
Continuing operations		17,989
Cost of sales	3	(13,876)
Gross profit	3	4,113
Other operating expenses	3	(5,487)
Operating loss		(1,374)
Existing operations		-
Acquisitions		(1,374)
Continuing operations	3	(1,374)
Interest receivable	4	19
Interest payable and similar charges	5	(376)
Loss on ordinary activities before taxation	6	(1,731)
Tax on loss on ordinary activities	8	(522)
Loss on ordinary activities after taxation, being loss for the financial period	17	(2,253)

There were no recognised gains or losses other than the loss for the period.

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

Balance sheets

31 December 2000

	Note	Group £'000	Company £'000
Fixed assets			
Goodwill	9	7,690	-
Negative goodwill	9	(859)	-
		<u>6,831</u>	<u>-</u>
Tangible assets	10	749	-
Investments	11	-	13,261
		<u>7,580</u>	<u>13,261</u>
Current assets			
Stocks	12	1,011	-
Debtors	13	5,361	-
Cash at bank and in hand		1,484	-
		<u>7,856</u>	<u>-</u>
Creditors: Amounts falling due within one year	14	(11,338)	(8,169)
Net current liabilities		<u>(3,482)</u>	<u>(8,169)</u>
Total assets less current liabilities		4,098	5,092
Provisions for liabilities and charges	15	(209)	-
Net assets		<u>3,889</u>	<u>5,092</u>
Capital and reserves			
Called-up share capital	16	3,142	3,142
Share premium account	17	3,000	3,000
Profit and loss account	17	(2,253)	(1,050)
Shareholders' funds	17	<u>3,889</u>	<u>5,092</u>
Shareholders' funds may be analysed as:			
Equity interests		747	1,950
Non-equity interests		<u>3,142</u>	<u>3,142</u>
	17	<u>3,889</u>	<u>5,092</u>

Signed on behalf of the Board



B R Patel
Director

31 July 2002

The accompanying notes are an integral part of these balance sheets.

Notes to accounts

31 December 2000

1 Accounting policies

The principal accounting policies of the group are summarised below. They have all been applied consistently throughout the period.

a) Basis of preparation

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

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

The parent company is currently completing a refinancing programme in the USA. The directors believe that following the completion of this refinancing, the parent company will be in a position to provide the financial support pursuant to their undertaking described above. Accordingly, the directors believe the going concern basis to be appropriate and, these accounts do not include any adjustments or additional disclosures that may be necessary if the accounts were prepared on an alternative basis.

b) Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiary undertakings drawn up to 31 December 2000. 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 a period of twenty years.

No profit and loss account for the company has been presented as permitted by the Companies Act 1985. The company's loss for the period, determined in accordance with the Act, was £1,050,000.

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 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 and fittings	3-20 years
Leasehold land and buildings	over the term of the lease

Notes to accounts (continued)

1 Accounting policies (continued)

e) *Intangible assets - goodwill*

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

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.

f) *Investments*

Fixed asset investments are stated at cost less any provision for impairment.

g) *Leases*

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

h) *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.

i) *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.

j) *Turnover*

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

k) *Product development*

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

l) *Taxation*

Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred taxation is provided using the liability method on all timing differences, which are expected to reverse in the future without being replaced.

Notes to accounts (continued)

1 Accounting policies (continued)

m) Pension costs

Two pension schemes were operated during the period for the benefit of employees by the former parent company of the group's subsidiary undertakings, Bowthorpe plc. These schemes require contributions to be made to separately administered funds, based on triennial actuarial valuations. Contributions to the pension funds are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives. Differences between the amounts funded and the amounts charged are treated as either provisions or prepayments in the balance sheet. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected working lives of employees.

2 Acquisitions

During the period the group acquired the entire issued share capital of the following subsidiary undertakings from fellow group companies:

<i>Subsidiary</i>	<i>Acquisition date</i>
Aavid Thermalloy Limited ("ATL")	21 October 1999
Aavid Thermalloy UK Limited ("ATUKL")	2 February 2000
Aavid Thermalloy International Limited ("ATIL")	21 October 1999

Subsequent to the acquisitions described above the trade, assets and liabilities of ATIL and ATUKL were transferred to ATL.

Notes to accounts (continued)

2 Acquisitions (continued)

The fair values of the identifiable assets and liabilities acquired, which were equal to their book values, are set out below:

	ATL £'000	ATUKL £'000	AITL £'000	Total £'000
Fixed assets				
Tangible assets	2,564	499	-	3,063
Current assets				
Stocks	1,057	514	-	1,571
Debtors	2,903	1,687	900	4,590
Cash at bank and in hand	1,036	345	-	1,381
	4,996	2,546	900	7,542
Creditors: amounts falling due within one year	(3,241)	(1,190)	-	(4,431)
Provisions for liabilities and charges	(84)	(78)	-	(162)
Net assets	4,235	1,777	900	6,012
Goodwill on acquisition	6,026	1,223	(900)	7,249
Consideration paid	10,261	3,000	-	13,261
Analysis of consideration paid:				
Intercompany indebtedness	10,261	-	-	10,261
£1 ordinary shares	-	3,000	-	3,000
	10,261	3,000	-	13,261

3 Analysis of results by acquisition

Turnover, cost of sales, gross profit and other operating expenses are attributable to the company and the acquisitions made during the period as follows:

	Company £'000	ATL £'000	ATUKL £'000	Total £'000
Turnover	-	11,239	6,750	17,989
Cost of sales	-	(8,266)	(5,610)	(13,876)
Gross profit	-	2,973	1,140	4,113
Selling and distribution	-	(1,579)	(327)	(1,906)
Administration	(674)	(952)	(1,955)	(3,581)
Other operating expenses	(674)	(2,531)	(2,282)	(5,487)
Operating (loss)/profit	(674)	442	(1,142)	(1,374)

Notes to accounts (continued)

3 Analysis of results by acquisition (continued)

There was no turnover, cost of sales, gross profit or other operating expenses attributable to Aavid Thermalloy International Limited during the period.

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.

4 Interest receivable and similar income

	£'000
Bank interest receivable	19

5 Interest payable and similar charges

	£'000
Interest on intercompany loan	376

6 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging :

	£'000
Amortisation of goodwill	418
Depreciation and amounts written off owned assets	466
Foreign exchange gain	396
Auditors' remuneration:	
- audit services	47
- non-audit services	13
Operating lease rentals:	
- plant and machinery	28
- property and other	150
Exceptional costs of plant closure	1,905

The exceptional costs of plant closure of £1,905,000 related to the costs of closing the group's plant at Corby comprising principally fixed asset write-downs and severance costs.

Notes to accounts (continued)

7 Staff costs

The average monthly number of employees employed by the group was as follows:

	Number
Distribution and manufacturing	135
Selling and administration	20
	<hr/> 155

£'000

Their aggregate remuneration comprised:

Wages and salaries	2,507
Social security costs	207
Other pension costs	101
	<hr/> 2,815

Directors' remuneration

The directors received no remuneration from the company or its subsidiary undertakings during the period.

8 Tax on loss on ordinary activities

	£'000
UK corporation tax	502
Deferred taxation	20
	<hr/> 522

9 Goodwill

Group	Positive goodwill £'000	Negative goodwill £'000	Total £'000
Cost			
Goodwill arising on acquisition of subsidiary undertakings (note 2)	8,149	(900)	7,249
	<hr/>	<hr/>	<hr/>
Amortisation			
(Charge)/credit for the period	(459)	41	(418)
	<hr/>	<hr/>	<hr/>
Net book value	7,690	(859)	6,831
	<hr/>	<hr/>	<hr/>

Notes to accounts (continued)

10 Tangible fixed assets

Group

	Short leasehold property £'000	Fixtures and fittings £'000	Plant and machinery £'000	Total £'000
Cost				
Acquisition of subsidiary undertakings (note 2)	78	331	2,654	3,063
Additions	-	13	124	137
Disposals	-	(4)	(2,296)	(2,300)
At 31 December 2000	78	340	482	900
Depreciation				
Charge for the period	(6)	(71)	(389)	(466)
Disposals	-	-	315	315
At 31 December 2000	(6)	(71)	(74)	(151)
Net book value				
At 31 December 2000	72	269	408	749

11 Fixed asset investments

	Company £'000
Cost and net book value	
Investments in subsidiary undertakings	13,261

Further details regarding the acquisition of these investments are set out in note 2.

The principal investments of the company and group are set out below. The group 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 accounts (continued)

12 Stocks

	Group £'000
Raw materials	556
Work in progress	71
Finished goods	384
	<hr/>
	1,011
	<hr/>

13 Debtors

	Group £'000
Amounts falling due within one year:	
Trade debtors	2,356
Amounts owed by group undertakings	2,963
Prepayments and accrued income	42
	<hr/>
	5,361
	<hr/>

14 Creditors: amounts falling due within one year

	Group £'000	Company £'000
Trade creditors	1,081	-
Amounts owed to group undertakings	9,034	8,169
Corporation tax	437	-
Other creditors including taxation and social security	42	-
Accruals and deferred income	744	-
	<hr/>	<hr/>
	11,338	8,169
	<hr/>	<hr/>

Notes to accounts (continued)

15 Provisions for liabilities and charges

	Group £'000
Deferred taxation	84
Property costs	125
	<hr/>
	209
	<hr/>

The provision for deferred taxation relates to accelerated capital allowances and was acquired with the company's subsidiary undertakings. There was no subsequent movement in the provision and there were no unrecognised deferred tax assets or liabilities at the period-end.

The property costs provision relates to the closure of the group's Corby plant.

	Deferred taxation £'000	Property costs £'000	Total £'000
Acquired with subsidiary undertaking	64	78	142
Utilised in the period	-	(13)	(13)
Released to profit and loss account	-	(65)	(65)
Charged to profit and loss account	20	125	145
	<hr/>	<hr/>	<hr/>
At 31 December 2000	84	125	209
	<hr/>	<hr/>	<hr/>

16 Called-up share capital

	£'000
<i>Authorised</i>	
300 ordinary shares of £1 each	-
7,520,000 cumulative redeemable preference shares of £1 each	7,520
	<hr/>
	7,520
	<hr/>
<i>Allotted, called-up and fully paid</i>	
300 ordinary shares of £1 each	-
3,141,690 cumulative redeemable preference shares of £1 each	3,142
	<hr/>
	3,142
	<hr/>

Notes to accounts (continued)

16 Called-up share capital (continued)

The company's initial issued share capital comprised 200 ordinary shares of £1 each. On 2 February 2000 the company issued 100 new £1 ordinary shares at £30,000 per share as consideration for the acquisition of Aavid Thermalloy (UK) Limited, giving rise to an aggregate share premium of £2,999,900. On the same date the company issued 3,141,690 £1 cumulative redeemable preference shares at par to Fluent UK Holdings Limited, a fellow subsidiary company, for cash consideration.

Non equity shareholders' funds relate entirely to the 3,141,690 cumulative redeemable preference shares. These shares carry the right to a fixed cash cumulative dividend at a rate of 10% per annum on the paid up amount. They are redeemable on 30 June 2015 or, at the company's discretion, earlier on condition that any arrears of preference dividend has been paid by the company. In view of the fact that the company did not have sufficient reserves to pay the preference dividend during its first accounting period, the preference shareholder has irrevocably waived its right to the dividend that would have accrued for that period.

17 Reconciliation of group equity shareholders' funds and movements on reserves

	Share capital £'000	Share Premium account £'000	Profit and loss account £'000	Total £'000
Share issued in the period	3,142	3,000	-	6,142
Loss for the period	-	-	(2,253)	(2,253)
At 31 December 2000	3,142	3,000	(2,253)	3,889

As permitted by section 228 of the Companies Act 1985 no profit and loss account has been presented for the company. The company's loss for the period, determined in accordance with the Act, was £1,050,000.

18 Capital commitments

There were no capital commitments at the end of the period.

19 Operating lease commitments

The group has commitments under the following operating leases.

	Property £'000	Plant and Machinery £'000	Total £'000
Expiry date:			
- within one year	-	2	2
- within two and five years	51	25	76
- after five years	52	117	169
	103	144	247

Notes to accounts (continued)

20 Pension obligations

The former parent company of the company's subsidiary undertakings, Bowthorpe plc, operates two pension plans to which the group contributed during the period: the Staff Pension Plan which is on a defined benefit basis and the Retirement Cash Plan which is on a defined contribution basis with a defined benefit underpin.

Pension costs and the assets and liabilities of these plans are reviewed regularly by an independent professionally qualified actuary. The latest actuarial valuations of the plans were undertaken as at 1 April 1997 using the projected unit method and the principal results and assumptions were as follows:

Assumption	Staff Pension Plan	Retirement Cash Plan
Return on investments	9.0% pa	9.0% pa
Salary inflation average	6.5% pa	6.0% pa
Price inflation	4.5% pa	4.5% pa
Pension increases	4.5% pa	4.5% pa
Dividend growth	4.75% pa	4.75% pa
Market value of assets	£72.4 million	£3.8 million
Level of funding	114%	99%
Employer contribution rate	7.5%	6%

The level of funding represents the actuarial value of assets expressed as a percentage of the value of liabilities that have accrued to members after allowing for the assumed future increases in salary. The total pension charge during the period was £101,000.

Contributions to the above schemes by and on behalf of the group's employees ceased with effect from 1 August 2000. Employees now have the option to join the Aavid Thermal Products Group Personal Pension Plan.

21 Subsequent events

The company changed its name by special resolution to Aavid Thermalloy UK Holdings Limited subsequent to the period-end on 9 May 2001.

Subsequent to the year-end the company's cumulative redeemable preference shares were converted into ordinary shares with no preferential dividend rights by agreement with the holder of the shares.

22 Ultimate parent undertaking

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

23 Related party transactions

The company has taken advantage of the exemption permitted by paragraph 3(c) of FRS 8, Related Party Disclosures, and not disclosed transactions with group companies.¹