Sermatech Repair Services Limited

(Registered Number: 2032921)

Annual Report

31 December 2000



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The directors submit their report and financial statements for the year ended 31 December 2000.

Principal activity and state of affairs

The principal activity of the company is the repair and re-profiling of turbine blades and airfoil performance management.

Results for the year

The company made a loss after tax of £54,000 during the year *(1999: profit of £354,000)*. The directors do not recommend the payment of a dividend *(1999: £354,000)* but the payment of £54,000 of the previous year's dividend was not paid. Accordingly £Nil will be transferred to reserves *(1999: £Nil)*.

The directors consider the results for the year to be satisfactory and are confident of future prospects.

Donations

During the year ended 31 December 2000 the company made charitable donations amounting to £1,000.

Directors

R C Carriker
J B DeVries
J F McCabe

Directors' interests

The names of the present directors are stated above.

None of the directors had any interest in the shares of the company during the year. There are no other directors' interests requiring disclosure under the Companies Act 1985.

No significant contract or arrangement in relation to the company's business in which any director had a material interest subsisted at any time during the year.

Employees

It is the company's policy that there shall be no discrimination in respect of sex, colour, religion, race, nationality or ethnic origin, and that equal opportunities shall be given to all employees. The company supports the employment of disabled people whenever possible in recruitment, in the retention in the event of becoming disabled during employment, and by encouraging training and career development. A programme of consultation, communication and involvement encourages employees to use their knowledge and skills actively towards influencing the company's success. Employees receive information about the company's performance and development on a regular and systematic basis, via departmental meetings, organised group briefing, open forums and notice boards.

Statement of directors' responsibilities

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

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

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

Auditors

PricewaterhouseCoopers have expressed their willingness to be re-appointed as auditors in accordance with the provisions of the Companies Act 1985 and a resolution for their re-appointment will be proposed at the next Annual General Meeting.

By Order of the Board.



J R Duncan
Company Secretary

2 July 2001

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Auditors' Report to the Members of
Sermatech Repair Services Limited

We have audited the financial statements on pages 4 to 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom's Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
Nottingham

2 July 2001

PricewaterhouseCoopers is the successor partnership to the UK firms of Price Waterhouse and Coopers & Lybrand. The principal place of business of PricewaterhouseCoopers and its associate partnerships, and of Coopers & Lybrand, is 1 Embankment Place, London WC2N 6NN. The principal place of business of Price Waterhouse is Southwark Towers, 32 London Bridge Street, London SE1 9SY. Lists of the partners' names are available for inspection at those places.

All partners in the associate partnerships are authorised to conduct business as agents of, and all contracts for services to clients are with, PricewaterhouseCoopers. PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

	2000 *£'000*	*1999* *£'000*
Turnover - Continuing Operations *(note 2)*	26,884	30,709
Cost of sales	(18,841)	(23,306)
Gross Profit	8,043	7,403
Selling and distribution costs	(2,454)	(2,562)
Administration expenses	(5,271)	(4,021)
Operating Profit - Continuing Operations	318	820
Interest payable and similar charges *(note 4)*	(407)	(420)
Interest receivable and similar income *(note 4)*	116	90
Profit on Ordinary Activities Before Taxation *(note 3)*	27	490
Taxation on profit on ordinary activities *(note 6)*	(81)	(136)
(Loss) / Profit on Ordinary Activities After Taxation	(54)	354
Dividends *(note 7)*	54	(354)
Amounts Transferred to Reserves *(note 16)*	-	-

The company has no recognised gains or losses other than the profit for the year.

The notes on pages 7 to 17 form part of these financial statements.

	2000 *£'000*	*1999* *£'000*
Fixed Assets		
Tangible assets *(note 8)*	4,067	2,828
Current Assets		
Stocks *(note 9)*	5,729	5,066
Debtors *(note 10)*	5,204	5,271
Cash at bank and in hand *(note 20b)*	882	3,305
	11,815	13,642
Creditors - Amounts falling due within one year *(note 11a)*	(11,288)	(11,777)
Net Current Assets	527	1,865
Total Assets Less Current Liabilities	4,594	4,693
Creditors - Amounts falling due after more than one year *(note 11b)*	(78)	(177)
Net Assets	4,516	4,516
Capital and Reserves		
Called up share capital *(note 13)*	26	26
Other reserves *(note 16)*	4,490	4,490
Profit and loss account *(note 16)*	-	-
Total shareholders' funds *(note 17)*	4,516	4,516
Analysed as:		
Equity interests	4,515	4,515
Non-equity interests *(note 17)*	1	1
	4,516	4,516

Approved by the Board on 2 July 2001 and signed on its behalf

J F McCabe
Director

The notes on pages 7 to 17 form part of these financial statements.

	£'000	*2000 £'000*	*£'000*	*1999 £'000*
Net Cash (Outflow)/Inflow From Operating Activities *(note 20a)*		(670)		3,436
Returns on Investments and Servicing of Finance				
Interest paid	(405)		(420)	
Interest element of finance lease agreements	(2)		-	
Interest received	116		90	
Preference dividends paid	-		(551)	
		(291)		(881)
Taxation		342		(487)
Capital Expenditure and Financial Investment				
Purchase of tangible fixed assets		(1,804)		(685)
Equity Dividends Paid		-		(1,587)
Cash outflow before financing		(2,384)		
Financing				
Capital element of finance lease agreements		(39)		-
Decrease in Cash *(note 20b)*		(2,423)		(204)

The notes on pages 7 to 17 form part of these financial statements.

1 Accounting Policies

The financial statements are prepared under the historical cost convention in accordance with applicable accounting and financial reporting standards.

Foreign currencies

Balances due to overseas group undertakings are expressed at the sterling values attributed when each debt arose; when repaid these will be settled at the same sterling values. Other assets and liabilities of the company denominated in foreign currencies are translated at the rates of exchange ruling at the end of the year and resulting translation differences are dealt with through the profit and loss account.

Stocks

Stocks are stated at the lower of cost and net realisable value and cost where appropriate includes a proportion of production related overheads.

Leased assets

Assets held under finance lease agreements and hire purchase contracts are capitalised as fixed assets. Depreciation is provided over the shorter of the estimated useful life of the assets or the period of the agreement. The interest element of the charges implicit in the agreement is charged to the profit and loss account. Rentals under operating leases are charged to the profit and loss account as incurred.

Fixed assets

The cost of fixed assets is written off over their estimated useful lives by providing depreciation on a straight line basis.

The principal estimated useful lives are:

Short leasehold improvements	- over the unexpired term of the lease
Plant and machinery	- 3 to 10 years
Fixtures and fittings	- 8 to 10 years

Research and development costs

Research and development costs are written off to the profit and loss account as they are incurred.

Deferred taxation

Provision for deferred taxation is made, or recovery of taxation anticipated, in respect of all material timing differences other than those giving rise to tax benefits which with reasonable probability can be expected to be retained for the foreseeable future in consequence of recurring or continuing differences.

Pensions

The company operates a pension and life assurance scheme covering the majority of its employees which is financed by a separate trustee administered fund. The scheme is a defined contribution scheme and pension costs are charged to profit and loss account on the basis of contributions payable.

2 Segmental Analysis

Turnover, operating profit and capital employed are in respect of the company's principal activity, the repair and re-profiling of turbine blades and airfoil performance management.

Turnover is the invoiced value of goods sold and services provided, after deducting returns and excluding value added tax.

The geographical split of turnover is as follows:

	2000 £'000	1999 £'000
Europe	19,418	24,313
Asia and Australasia	2,478	2,275
North America	4,955	3,950
Rest of the world	33	171
	26,884	30,709

3 Profit on Ordinary Activities Before Taxation

		2000 £'000	1999 £'000
The profit on ordinary activities before taxation is stated after charging:			
Depreciation of tangible fixed assets			
	- owned assets	545	553
	- assets held under finance lease agreements	20	-
Auditors' remuneration	- audit fees	22	22
	- non audit fees	4	9
Operating lease rentals	- property	222	178
	- plant and machinery	89	84

4 *Interest*

	2000 *£'000*	*1999* *£'000*
Payable:		
On bank overdrafts	15	11
On inter-company accounts	390	409
On finance lease agreements	2	-
	407	420
Receivable:		
On bank deposits	58	90
On inter-company accounts	34	-
Other interest	24	-
	116	90

5 *Directors and Employees*

	2000 *£'000*	*1999* *£'000*
Staff costs:		
Wages and salaries	5,509	5,005
Social security costs	518	468
Other pension costs *(note 18)*	196	154
	6,223	5,627

The average number of persons employed by the company during the year was 268 *(1999: 243)*.

The directors received no emoluments in respect of their services to the company in the current year *(1999: £Nil)*.

6 Taxation

	2000 £'000	1999 £'000
The tax charge comprises:		
Corporation tax at 30% *(1999: 30.25%)*		
- Current year	-	152
- Prior year	34	(89)
Deferred taxation *(note 12)*	47	73
	81	136

7 Dividends

	2000 £'000	1999 £'000
Dividends declared:		
In respect of current year:		
On Ordinary Shares:		
- interim	-	-
- final	-	194
On 'B' Preference Shares:		
Participating dividend	-	160
In respect of prior year:		
On 'B' preference shares:		
- dividend not taken	(54)	-
	(54)	354

8 Tangible Fixed Assets

	Short leasehold improvements £'000	*Plant and Machinery £'000*	*Fixtures and fittings £'000*	*Total £'000*
Cost				
At 1 January 2000	1,046	3,880	5	4,931
Additions	323	1,481	-	1,804
At 31 December 2000	1,369	5,361	5	6,735
Depreciation				
At 1 January 2000	400	1,698	5	2,103
Charge for the year	91	474	-	565
At 31 December 2000	491	2,172	5	2,668
Net book amount				
At 31 December 2000	878	3,189	-	4,067
At 31 December 1999	646	2,182	-	2,828

Fixed assets held under finance lease agreements had a net book value at 31 December 2000 of £157,000 (1999: £176,600).

9 Stocks

	2000 £'000	*1999 £'000*
Raw materials and consumables	544	289
Work in progress	409	382
Finished goods	4,776	4,395
	5,729	5,066

10 Debtors

	2000 £'000	1999 £'000
Amounts due within one year:		
Trade debtors	4,346	3,357
Other debtors	413	361
Corporation tax	291	280
Prepayments and accrued income	101	697
Deferred tax *(note 12)*	53	100
ACT recoverable	-	476
	5,204	5,271

11 Creditors

(a) Amounts falling due within one year:

	2000 £'000	1999 £'000
Trade creditors	1,908	1,886
Amounts owed to group undertakings		
- parent and fellow subsidiaries	7,346	7,603
Taxation and social security	167	136
Other creditors	1,162	921
Corporation tax	-	-
Accruals and deferred income	387	770
Dividends payable	318	372
ACT payable	-	89
	11,288	11,777

(b) Amounts falling due after more than one year:

	2000 £'000	1999 £'000
Accruals and deferred income	78	177

There are no fixed repayment terms attached to amounts owed to group undertakings.

12 Deferred Taxation

The total potential and provided deferred tax at 30% *(1999: 30.25%)* comprises:

	2000 Cumulative provided (asset)/liability	*2000 Cumulative unprovided (asset)/liability*	*1999 Cumulative provided (asset)/liability*	*1999 Cumulative unprovided (asset)/liability*
Accelerated capital allowances	143	92	41	92
Losses	(44)	-	-	-
Other timing differences	(152)	10	(141)	10
	(53)	102	(100)	102

	£'000
Deferred tax asset recognised at 1 January 2000	(100)
Movement in the year	47
Deferred tax asset recognised at 31 December 2000	(53)

13 Called Up Share Capital

	2000 £'000	*1999 £'000*
Authorised:		
25,000 Ordinary Shares of £1 each	25	25
1,000 Cumulative 'B' Preference Shares of £1 each	1	1
	26	26
Issued, allotted and fully paid:		
25,000 Ordinary Shares of £1 each	25	25
1,000 Cumulative 'B' Preference Shares of £1 each	1	1
	26	26

Redemption rights

There are no specific redemption rights attached to any class of share.

Rights to dividends

The profits available for distribution are to be paid in the following order:

1) A cumulative preferential dividend of 1p per share, payable to the 'B' shareholders.

2) A variable cumulative preferential dividend based on profits after tax, payable to the 'B' preference shareholders.

3) The remaining profits to be distributed amongst the ordinary shareholders.

Voting rights

The ordinary shareholders are entitled to one vote per share. The 'B' preference shareholders hold nil votes per share, except in respect of resolutions varying their rights, or for a winding up, dissolution or liquidation, in which the 'B' preference shareholders are entitled to one vote per share.

Rights on winding-up

On a winding-up preference shareholders are entitled to receive £1 per share together with any arrears of dividends. The balance of the remaining assets is to be distributed amongst the ordinary shareholders pari passu.

14 Capital Commitments

	2000 *£'000*	*1999* *£'000*
Authorised and contracted for	110	1,075

15 Operating Lease Commitments

The Company had annual commitments under non cancellable operating leases as set out below:

	2000 £'000	1999 £'000
Land and buildings leases which expire:		
Over five years	222	221
Plant and machinery leases which expire:		
Between two and five years	83	91

16 Reserves

	Other Reserves £'000	Profit and loss account £'000
At 1 January 2000	4,490	-
Profit for the year	-	-
Dividends declared	-	-
At 31 December 2000	4,490	-

17 Reconciliation of Movements in Shareholders' Funds

	2000 *£'000*	*1999* *£'000*
Profit for the financial year	-	354
Dividends	-	(354)
Net addition to shareholders' funds	-	-
Opening shareholders' funds	4,516	4,516
Closing shareholders' funds	4,516	4,516
Non-equity interests are calculated as follows:		
Preference shares	1	1

18 Pensions

The company operates a pension and life assurance scheme covering the majority of its employees which is financed by a separate trustee administered fund. The scheme is a defined contribution scheme. The profit and loss charge for the year was £196,000 *(1999: £154,000).*

19 Related Party Transactions

During the year the company traded with other members of the Teleflex Inc Group. The aggregate value of the transactions undertaken was as follows: sales made to £68,000 *(1999: £181,000)*; purchases made from £1,780,000 *(1999: £1,619,000)*; interest received from £33,000 *(1999: £Nil)*; interest paid to £342,000 *(1999: £409,000);* management charges paid to £1,780,000 *(1999: £1,045,000);* royalty charges paid to £234,000 *(1999: £209,000).*

At 31 December 2000 there were aggregate amounts payable to Teleflex Inc Group companies of £1,435,000 *(1999: £1,148,000).* A further amount of £5,031,000 *(1999: £6,455,000)* was payable by the company in respect of a loan account.

A significant shareholder in the company's immediate parent undertaking is General Electric Inc. During the year the company also traded with members of the General Electric Inc Group. The aggregate value of the transactions undertaken was as follows: net sales made to £11,565,000 *(1999: £17,508,000)*; purchases made from £119,000 *(1999: £3,000);* royalty payments due to £20,000 *(1999: £63,000).* The aggregate outstanding balances due from members of the General Electric Inc Group, at the year end were £1,194,000 *(1999: £1,134,000).*

20 Notes to the Cash flow Statement

(a) Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	2000 £'000	1999 £'000
Operating profit	318	820
Depreciation	565	553
(Increase)/decrease in stocks	(663)	89
Increase in debtors	(445)	(316)
(Decrease)/increase in creditors	(445)	2,290
Net cash (outflow)/inflow from operating activities	(670)	3,436

(b) Analysis of changes in net debt

	2000 £'000	1999 £'000
Cash at bank and in hand		
Balance at start of the year	3,305	3,509
Net cash outflow	(2,423)	(204)
Balance at end of the year	882	3,305

21 Parent Undertakings

The directors consider that the company's immediate and ultimate parent undertaking and ultimate controlling party is Teleflex Inc, a company incorporated in the USA. Teleflex Inc is the largest group of undertakings preparing consolidated accounts to include the results of this company. Its annual report, as filed with the Securities and Exchange Commission, can be obtained from Communications Department, Teleflex Inc, 185 South Limerick Road, Limerick, Pennsylvania 19468, USA.

The company preparing consolidated accounts representing the smallest group of undertakings to include the results of this company is Airfoil Technologies International LLC a company incorporated in the USA. Its annual report may be obtained from 5830 Heisley Road, Mentor, Ohio, 44060-1856 USA.