

Airfoil Technologies International – UK Limited
(formerly Sermatech Repair Services Limited)

(Registered Number: 2032921)

Annual Report

29 December 2002



The directors submit their report and financial statements for the year ended 29 December 2002.

Principal activity

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

Results for the year and review of business

The company made a profit after tax of £542,000 during the year (2001: profit of £1,095,000). An interim dividend of £nil (2001: £420,000) was paid during the year. The directors recommend a final payment of £542,000 (2001: £675,000).

On 13 August 2003 the company changed its name to Airfoil Technologies International – UK Limited.

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

Donations

During the year ended 29 December 2002 the company made charitable donations amounting to £769 (2001: £2,607). No political donations were made in either year.

Directors

The Directors who held office during the year and subsequently are given below:

R C Carriker	Resigned 28 January 2003
J F McCabe	
F Mocilnikar	Appointed 28 January 2003

Directors' interests

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.

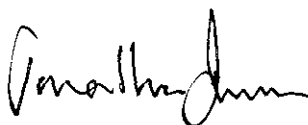
The directors confirm that they have complied with the above requirements in preparing the financial statements.

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

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the next Annual General Meeting.

By Order of the Board.



J R Duncan
Company Secretary
29 September 2003

**Independent auditors' report to the members of
Airfoil Technologies International – UK Limited
(formerly Sermatech Repair Services Limited)**

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We have audited the financial statements, which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

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 affairs of the Company as at 29 December 2002 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants
and Registered Auditors
East Midlands
29 September 2003

	2002 £'000	2001 £'000
Turnover - Continuing Operations (note 2)	22,917	30,918
Cost of sales	(15,079)	(20,563)
Gross Profit	7,838	10,355
Selling and distribution costs	(2,749)	(2,922)
Administration expenses	(4,205)	(5,590)
Operating Profit - Continuing Operations	884	1,843
Interest payable and similar charges (note 4)	(239)	(237)
Interest receivable and similar income (note 4)	51	89
Profit on Ordinary Activities Before Taxation (note 3)	696	1,695
Taxation on profit on ordinary activities (note 6)	(154)	(600)
Profit on Ordinary Activities After Taxation	542	1,095
Dividends (note 7)	(542)	(1,095)
Amounts Transferred to Reserves (note 15)	-	-

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

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The notes on pages 7 to 16 form part of these financial statements.

	2002 £'000	2001 £'000
Fixed Assets		
Tangible assets (note 8)	4,558	4,844
Current Assets		
Stocks (note 9)	4,376	4,488
Debtors (note 10)	5,391	4,053
Cash at bank and in hand (note 19b)	441	1,013
	10,208	9,554
Creditors - Amounts falling due within one year (note 11a)	(9,070)	(8,319)
Net Current Assets	1,138	1,235
Total Assets Less Current Liabilities	5,696	6,079
Creditors - Amounts falling due after more than one year (note 11b)	(1,180)	(1,563)
Net Assets	4,516	4,516
Capital and Reserves		
Called up share capital (note 12)	26	26
Other reserves (note 15)	4,490	4,490
Profit and loss account (note 15)	-	-
Total shareholders' funds (note 16)	4,516	4,516
Analysed as:		
Equity interests	4,515	4,515
Non-equity interests (note 16)	1	1
	4,516	4,516

Approved by the Board on 29 September 2003 and signed on its behalf by



F Mociłnikar
Director

The notes on pages 7 to 16 form part of these financial statements.

	2002 £'000	2001 £'000
Net Cash Inflow From Operating Activities (note 19a)	1,114	2,986
Returns on Investments and Servicing of Finance		
Interest paid	(123)	(227)
Interest element of finance lease agreements	(116)	(10)
Interest received	51	89
Preference dividends paid	-	-
	(188)	(148)
Taxation	(628)	(455)
Capital Expenditure and Financial Investment		
Purchase of tangible fixed assets	(625)	(1,475)
Equity Dividends Paid	-	(738)
Cash (outflow)/inflow before financing	(327)	170
Financing		
Capital element of finance lease payments	(245)	(39)
(Decrease)/Increase in Cash (note 19b)	(572)	131

The notes on pages 7 to 16 form part of these financial statements.

1 Accounting Policies

The financial statements are prepared under the historical cost convention in accordance with applicable Accounting Standards. A summary of the more important accounting policies is set out below together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year:

Changes in accounting policies

The company has adopted FRS19 'Deferred Tax' in the current financial year. The adoption of this new standard represents a change in accounting policy, however no change has been required to be made in the current or prior financial years as a result of the adoption of FRS 19.

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	- 2 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.

1 Accounting Policies Continued

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, with the following exceptions;

- Deferred taxation assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted;
- Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets; and
- Provision is made for the tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred taxation is measured on a non-discounted 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.

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:

	2002 £'000	2001 £'000
Europe	14,410	21,530
Asia and Australasia	2,864	3,154
North America	5,607	4,543
Rest of the world	36	1,691
	22,917	30,918

3 Profit on Ordinary Activities Before Taxation

	2002	2001
	£'000	£'000
The profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets		
- owned assets	622	678
- assets held under finance lease agreements	289	20
Auditors' remuneration		
- audit fees	23	22
- non audit fees	8	7
Operating lease rentals		
- property	222	222
- plant and machinery	79	92

4 Interest

	2002	2001
	£'000	£'000
Payable:		
On bank overdrafts	5	5
On inter-company accounts	91	219
On finance lease agreements	116	10
Other interest	27	3
	239	237
Receivable:		
On bank deposits	51	69
On inter-company accounts	-	20
	51	89

5 Directors and Employees

	2002	2001
	£'000	£'000
Staff costs:		
Wages and salaries	5,299	6,278
Social security costs	473	590
Other pension costs (note 17)	136	139
	5,908	7,007

The average number of persons employed by the company (excluding directors) during the year was 242 (2001: 296).

The directors received no emoluments in respect of their services to the company in the current year (2001: £Nil).

6 Taxation

	<i>2002</i> <i>£'000</i>	<i>2001</i> <i>£'000</i>
<i>The tax charge comprises:</i>		
Corporation tax at 30% (2001: 30%)		
- Current year	111	620
- Prior year	-	45
Current tax	111	665
Deferred taxation (note 10)	43	(65)
	154	600

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	<i>2002</i> <i>£'000</i>	<i>2001</i> <i>£'000</i>
Profit on ordinary activities before taxation	696	1,695
Multiplied by standard rate of corporation taxation in the UK (30%)	209	509
Effects of;		
Expenses not deductible for tax purposes	29	30
Accelerated capital allowances and other timing differences	(127)	81
Adjustments to tax charge in respect of previous period	-	45
Current tax on profit on ordinary activities	111	665

7 Dividends

	<i>2002</i> <i>£'000</i>	<i>2001</i> <i>£'000</i>
<i>Dividends declared:</i>		
In respect of current year:		
On Ordinary Shares:		
- interim	-	420
- final	542	675
On 'B' Preference Shares:		
Participating dividend	-	-
	542	1,095

8 Tangible Fixed Assets

	<i>Short leasehold improvements £'000</i>	<i>Plant and Machinery £'000</i>	<i>Fixtures and Fittings £'000</i>	<i>Total £'000</i>
Cost				
At 30 December 2001	1,404	6,801	5	8,210
Additions	2	623	-	625
At 29 December 2002	1,406	7,424	5	8,835
Depreciation				
At 30 December 2001	609	2,752	5	3,366
Charge for the year	123	788	-	911
At 29 December 2002	732	3,540	5	4,277
Net book amount				
At 29 December 2002	674	3,884	-	4,558
At 30 December 2001	795	4,049	-	4,844

Fixed assets held under finance lease agreements had a net book value at 29 December 2002 of £1,198,000 (2001: £1,408,000)

9 Stocks

	<i>2002 £'000</i>	<i>2001 £'000</i>
Raw materials and consumables	981	847
Work in progress	242	343
Finished goods	3,153	3,298
	4,376	4,488

10 Debtors

	2002	2001
	£'000	£'000
<i>Amounts due within one year:</i>		
Trade debtors	3,883	2,963
Other debtors	438	411
Corporation tax	599	82
Prepayments and accrued income	396	479
Deferred tax	75	118
	5,391	4,053

The deferred tax asset at 30% (2001: 30%) comprises:

	2002	2001
Accelerated capital allowances	(152)	(208)
Other timing differences	227	326
	75	118

£'000

Deferred tax asset recognised at 30 December 2001	118
Profit and loss charge	(43)

Deferred tax asset recognised at 29 December 2002 **75**

11 Creditors

(a) *Amounts falling due within one year:*

	2002	2001
	£'000	£'000
Trade creditors	1,290	1,158
Amounts owed to group undertakings		
- parent and fellow subsidiaries	4,653	4,544
Taxation and social security	131	124
Other creditors	1,251	1,312
Accruals and deferred income	280	261
Dividends payable	1,217	675
Obligations under finance leases	248	245
	9,070	8,319

11 Creditors (cont'd)**(b) Amounts falling due after more than one year:**

	2002 £'000	2001 £'000
Obligations under finance leases	1,180	1,563
	1,180	1,563

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

	2002 £'000	2001 £'000
Obligations under finance leases		
Amounts payable:-		
- within one year	248	245
- within more than one year but not more than two years	230	268
- within more than two years but not more than five years	950	1,295

12 Called Up Share Capital

	2002 £'000	2001 £'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, based on profits generated from the compressor division.
- 3) The remaining profits to be distributed amongst the ordinary shareholders.

12 Called Up Share Capital (cont'd)**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*.

13 Capital Commitments

	2002 £'000	2001 £'000
Authorised and contracted for	-	-

14 Operating Lease Commitments

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

	2002 £'000	2001 £'000
Land and buildings leases which expire:		
Over five years	222	222
Plant and machinery leases which expire:		
Less than one year	13	-
Between two and five years	69	92

15 Reserves

	Other Reserves £'000	Profit and loss account £'000
At 30 December 2001	4,490	-
Profit for the year	-	542
Dividends	-	(542)
At 29 December 2002	4,490	-

16 Reconciliation of Movements in Shareholders' Funds

	2002 £'000	2001 £'000
Profit for the financial year	542	1,095
Dividends	(542)	(1,095)
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

17 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 £136,000 (2001: £139,000).

18 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 £27,000 (2001: £48,000); purchases made from £1,849,000 (2001: £2,317,000); interest received from £nil (2001: £20,000); interest paid to £91,000 (2001: £219,000); management charges paid to £846,000 (2001: £1,651,000); royalty charges paid to £267,000 (2001: £323,000).

At 29 December 2002 there were aggregate amounts payable to Teleflex Inc Group companies of £581,000 (2001: £757,000). A further amount of £4,072,000 (2001: £3,787,000) was payable by the company in respect of a loan account to another group company.

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 £7,064,000 (2001: £12,400,000); purchases made from £335,000 (2001: £105,000); royalty & rebate payments due to £74,000 (2001: £206,000). The aggregate outstanding balances due from members of the General Electric Inc Group, at the year end were £44,000 (2001: £481,000).

19 Notes to the Cash flow Statement**(a) Reconciliation of operating profit to net cash inflow from operating activities**

	2002 £'000	2001 £'000
Operating profit	884	1,843
Depreciation	911	698
Decrease in stocks	112	1,241
(Increase)/decrease in debtors	(864)	1,007
Increase/(decrease) in creditors	206	(1,803)
Foreign exchange movement on finance leases	(135)	-
Net cash inflow from operating activities	1,114	2,986

(b) Analysis of changes in net debt

	At 30 December 2001 £'000	Cash flow £'000	Other non- cash changes £'000	Exchange Movements £'000	At 29 December 2002 £'000
Cash at bank and in hand	1,013	(572)	-	-	441
Finance leases due after 1 year	(1,563)	-	248	135	(1,180)
Finance leases due within 1 year	(245)	245	(248)	-	(248)
	(795)	(327)	-	135	(987)

20 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, 155 South Limerick Road, Limerick, Pennsylvania 19468-1699, 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 5966 Heisley Road, Mentor, Ohio, 44060-1870, USA.