

Company Registration No. SC025020 (Scotland)

GAS MEASUREMENT INSTRUMENTS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2016



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GAS MEASUREMENT INSTRUMENTS LIMITED

COMPANY INFORMATION

Directors	D Hunter B Lerner P Schieser A Bowie
Secretary	P Schieser
Company number	SC025020
Registered office	Inchinnan Business Park Renfrew Strathclyde PA4 9RG
Auditor	RSM UK Audit LLP Chartered Accountants Third Floor Centenary House 69 Wellington Street Glasgow G2 6HG
Bankers	HSBC plc 60 Queen Victoria Street London EC4N 4TR
Solicitors	DWF LLP 110 Queen Street Glasgow G1 3HD

GAS MEASUREMENT INSTRUMENTS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Gas Measurement Instruments Limited ("GMI") is one of the world's leading manufacturers of gas detection equipment, with particular strengths in the gas distribution, industrial safety and marine industries. Since its formation in 1947, the business has been built on a reputation for technological development and the evolution of a rugged and reliable product range. The Company has developed particular expertise in working within the gas distribution industry and many of the world's largest gas utilities use portable gas detection equipment manufactured in Scotland by GMI. Our success has been based on working with customers to fully understand their requirements and developing products that meet their specific needs.

In July 2011, GMI was acquired by Industrial Safety Technologies LLC, a group committed to developing the newest innovations in industrial safety solutions. In December 2014, Industrial Safety Technologies LLC was acquired by Scott Safety, part of Tyco International plc, one of the world's largest fire safety and security companies. In September 2016, Tyco International plc merged with Johnson Controls, a global provider of building efficiency solutions, headquartered in Milwaukee. In March 2017, Johnson Controls announced that it had signed a definitive agreement to sell its Scott Safety business, which includes GMI, to 3M, a science based, technology company, headquartered in St. Paul, Minneapolis. The transaction is expected to complete in October 2017.

Fair review of the business

During 2016, the Company demonstrated sales growth, recording turnover of £14.7 million compared with £9.6 million in 2015 – an increase of 54%. This increase was partly due to the accounting period being 12 months rather than the 9 months in 2015. As in recent years, efforts were made to grow the business, whilst maintaining the current level of business infrastructure costs, which contributed to a small increase in Operating Profit (24% of turnover compared with 22% in 2015). Growth in turnover, together with Operating Profit %, were the Company's key financial performance indicators. Annualised growth in turnover was in line with expectations and Operating Profit exceeded expectations. Key performance indicators are used across the business to measure various aspects of business performance, including manufacturing efficiency, incremental revenue from the release of new products, and service turnaround times.

The profit in 2016 generated sufficient cash flow to continue the programme of research and new product development, with several new products being worked on. The Company continues to monitor world-wide technological advancements to identify opportunities to further develop and enhance our product range. Investment in the business infrastructure also continued, with improvements being made to the manufacturing facilities.

The Company's strategy is to continue the growth in turnover and maintain the current operating profit percentage through controlled entry into new geographical territories and through extending our distribution network. We will continue to work with end user customers to understand new gas detection challenges facing them and will work to develop new products and associated calibration and instrument management solutions.

At the end of 2016, the Company was well placed to build market share and consolidate an already solid position in its principal markets through its strong relationships with key customers and distributors and the desire to extend its technical capabilities. Sufficient liquid funds were generated through the year to support the Company's ongoing business activities, with a significant surplus being made available for group purposes.

GAS MEASUREMENT INSTRUMENTS LIMITED

STRATEGIC REPORT (CONTINUED)


FOR THE YEAR ENDED 30 SEPTEMBER 2016

Principal risks and uncertainties

Risk management is taken into consideration when setting the Company's long-term goals. The competitive environment is likely to remain challenging, with price influencing procurement decisions in certain market sectors. In spite of general economic pressures, however, our key markets have proved resilient and we have seen continued investment in gas detection equipment.

Currency markets remain volatile and uncertain, and the Company manages its exposure to fluctuations in currency exchange rates through the use of natural hedging and with input from the corporate treasury function.

On behalf of the board



D Hunter

Director

31 AUGUST 2017

GAS MEASUREMENT INSTRUMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

The directors present their report and financial statements for the year ended 30 September 2016.

Principal activities

The principal activity of the company is the manufacture and provision of gas detection equipment to the gas distribution, industrial safety and marine industries.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

D Hunter	
P A Benny	(Resigned 30 October 2015)
B Lerner	
P Schieser	
A Bowie	(Appointed 10 November 2015)
A B Alphonsus	(Appointed 10 November 2015 and resigned 10 March 2017)

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Research and development

The company aims to retain and enhance its market position through the design and sale of specialist gas detection equipment and associated maintenance and management systems. The company's research and development department continued to investigate new materials, sensors and electronic components. Where appropriate, these have been incorporated within existing products and have been used in the design and development of new products.

Future developments

Further information in relation to company performance and business review has been disclosed in the strategic report under S414c(11).

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

GAS MEASUREMENT INSTRUMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Financial risk management objectives and policies

The company is exposed to a moderate level of price risk, credit risk, liquidity risk and cash flow risk. The company manages these risks by financing its operations through retained profits, supplemented by long-term bank borrowings where necessary to fund expansion or capital expenditure programmes.

The management objectives are to retain sufficient liquid funds to enable it to meet its day to day requirements, minimise the company's exposure to fluctuating interest rates, and match the repayment schedule of any external borrowings or overdrafts with the future cash flows expected to arise from the company's trading activities.

The company manages its exposure to fluctuations in currency exchange rates by the use of forward exchange contracts to eliminate any uncertainty which would otherwise arise under these arrangements. The company does not utilise any other type of hedging instruments.

On behalf of the board



D Hunter

Director

31 AUGUST 2017

GAS MEASUREMENT INSTRUMENTS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2016

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GAS MEASUREMENT INSTRUMENTS LIMITED

Opinion on financial statements

We have audited the financial statements on pages 7 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

RSM UK Audit LLP

Linda Gray BA CA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG
31/8/17

GAS MEASUREMENT INSTRUMENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2016

		Year ended 30 September 2016 £	Period ended 25 September 2015 £
	Notes		
Turnover	3	14,746,043	9,578,759
Cost of sales		(7,338,959)	(4,898,972)
Gross profit		7,407,084	4,679,787
Distribution costs		(151,488)	(81,773)
Administrative expenses		(3,904,873)	(2,638,532)
Other operating income		171,497	190,594
Operating profit	7	3,522,220	2,150,076
Interest receivable and similar income	8	20,931	10,826
Profit before taxation		3,543,151	2,160,902
Taxation	9	210,558	(76,567)
Profit for the financial year	21	3,753,709	2,084,335

GAS MEASUREMENT INSTRUMENTS LIMITED**BALANCE SHEET****AS AT 30 SEPTEMBER 2016**

	Notes	2016 £	£	2015 £	£
Fixed assets					
Tangible assets	10	1,477,807		934,076	
Investments	11	1		1	
		<u>1,477,808</u>		<u>934,077</u>	
Current assets					
Stocks	13	1,957,653		1,765,049	
Debtors	14	14,421,552		10,620,269	
Cash at bank and in hand		896,700		354,804	
		<u>17,275,905</u>		<u>12,740,122</u>	
Creditors: amounts falling due within one year	15	(3,151,671)		(1,813,088)	
Net current assets		<u>14,124,234</u>		<u>10,927,034</u>	
Total assets less current liabilities		<u>15,602,042</u>		<u>11,861,111</u>	
Provisions for liabilities	17	(212,431)		(225,209)	
Net assets		<u><u>15,389,611</u></u>		<u><u>11,635,902</u></u>	
Capital and reserves					
Called up share capital	20	27,440		27,440	
Share premium account	21	279,180		279,180	
Revaluation reserve	21	621,500		621,500	
Capital redemption reserve	21	3,500		3,500	
Profit and loss reserves	21	14,457,991		10,704,282	
Total equity		<u><u>15,389,611</u></u>		<u><u>11,635,902</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 21 AUGUST 2017 and are signed on its behalf by:



D Hunter
Director

GAS MEASUREMENT INSTRUMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2015	27,440	279,180	635,700	3,500	8,605,747	9,551,567
Period ended 25 September 2015:						
Profit and total comprehensive income for the period	-	-	-	-	2,084,335	2,084,335
Transfers	-	-	(14,200)	-	14,200	-
Balance at 25 September 2015	27,440	279,180	621,500	3,500	10,704,282	11,635,902
Period ended 30 September 2016:						
Profit and total comprehensive income for the period	-	-	-	-	3,753,709	3,753,709
Balance at 30 September 2016	27,440	279,180	621,500	3,500	14,457,991	15,389,611

GAS MEASUREMENT INSTRUMENTS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	2016 £	£	2015 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	22		476,758		(595,474)
Income taxes paid			(18,724)		(125,281)
Net cash inflow/(outflow) from operating activities			458,034		(720,755)
Investing activities					
Purchase of tangible fixed assets		(679,387)		(20,289)	
Proceeds on disposal of tangible fixed assets		2,125		4,400	
Interest received		20,931		10,826	
Net cash used in investing activities			(656,331)		(5,063)
Net cash used in financing activities			-		-
Net decrease in cash and cash equivalents			(198,297)		(725,818)
Cash and cash equivalents at beginning of year			354,804		1,025,084
Effect of foreign exchange rates			740,193		55,538
Cash and cash equivalents at end of year			896,700		354,804

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies

Company information

Gas Measurement Instruments Limited is a company limited by shares incorporated in Scotland. The registered office is Inchinnan Business Park, Renfrew, Strathclyde, PA4 9RG.

The company's principal activities are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Gas Measurement Instruments Limited is a wholly owned subsidiary of Johnson Controls International plc and the results of Gas Measurement Instruments Limited are included in the consolidated financial statements of Johnson Controls International plc which are available from www.johnsoncontrols.com.

The current accounting period is longer than the comparative period since the financial statements for the prior period were presented for 9 months as a result of the company shortening its year-end to align with its group.

Going concern

No material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern have been identified by the Directors.

Turnover

Turnover represents the invoiced amount of goods sold and services provided stated net of value added tax. Sales are recognised at the point at which the company has fulfilled its contractual obligations and the risks and rewards attaching to the product, such as obsolescence, have been transferred to the customer.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies (Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings freehold	4% straight line
Leasehold improvements	10% straight line
Fixtures, fittings and equipment	10 - 20% straight line
Motor vehicles	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow moving items.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies (Continued)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Trade, other and inter-company debtors

Trade, other and inter-company debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade, other and inter-company debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade, other or inter-company debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of trade, other and inter-company debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade, other and inter-company debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Trade, other and inter-company creditors

Trade, other and inter-company creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the instrument with a trade, other and inter-company creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable. The assets of the scheme are held separately from those of the company in an independently administered fund.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

1 Accounting policies (Continued)

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Foreign exchange

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions, or at an average rate for the period if the rates do not fluctuate significantly. Monetary assets and liabilities are translated at year end exchange rates or, where appropriate, at rates of exchange fixed under the terms of the relevant transaction. The resulting exchange rate differences are charged to the profit and loss account.

Revaluation

Revaluation surpluses are taken to the revaluation reserve. Deficits on subsequent revaluations are charged to the profit and loss account if they are considered to arise as a result of the consumption of the economic benefits provided by the assets. Other deficits on revaluation are charged to the revaluation reserve up to the amount of the associated revaluation surplus. Any excess deficits are charged to the profit and loss account.

Where an asset that was previously revalued is disposed of, its book value is eliminated and an appropriate transfer is made from the revaluation reserve to the profit and loss reserve.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Warranty provision

Management have estimated a provision for future warranty claims. This involves a general provision which is a percentage of turnover based on past experience of retrospective issues that the company are liable for. Additionally all known issues are added as a specific provision. The future warranty provision for the year is £110,000 (2015: £85,000).

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2016	2015
	£	£
Turnover analysed by class of business		
Sale of goods	13,387,369	8,446,166
Sale of services	1,358,674	1,132,593
	<u>14,746,043</u>	<u>9,578,759</u>
Other revenue		
Interest income	<u>20,931</u>	<u>10,826</u>

Turnover analysed by geographical market

	2016	2015
	£	£
United Kingdom	5,396,012	3,592,858
Europe	2,315,240	1,522,588
North and South America	5,183,792	3,083,486
Rest of World	1,850,999	1,379,827
	<u>14,746,043</u>	<u>9,578,759</u>

4 Auditor's remuneration

	2016	2015
	£	£
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the company's financial statements	<u>12,400</u>	<u>14,872</u>
For other services		
All other non-audit services	<u>4,350</u>	<u>12,344</u>

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2016 Number	2015 Number
Office and management	43	36
Manufacturing	53	63
	<u>96</u>	<u>99</u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	3,859,748	2,541,158
Social security costs	80,804	312,331
Pension costs	105,015	80,585
	<u>4,045,567</u>	<u>2,934,074</u>

6 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	149,093	93,075
Company pension contributions to defined contribution schemes	8,650	6,863
	<u>157,743</u>	<u>99,938</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2015 - 1).

7 Operating profit

	2016 £	2015 £
Operating profit for the period is stated after charging/(crediting):		
Exchange gains	(740,193)	(55,538)
Research and development costs	347,044	134,665
Depreciation of owned tangible fixed assets	135,653	108,275
(Profit)/loss on disposal of tangible fixed assets	(2,122)	1,387
Cost of stocks recognised as an expense	5,349,328	3,498,923
Operating lease charges	49,149	36,466
	<u></u>	<u></u>

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

8 Interest receivable and similar income

	2016 £	2015 £
Interest income		
Interest receivable from group companies	20,931	10,826

9 Taxation

	2016 £	2015 £
Current tax		
UK corporation tax on profits for the current period	-	97,775
Adjustments in respect of prior periods	(172,780)	(9,807)
Total current tax	(172,780)	87,968
Deferred tax		
Origination and reversal of timing differences	(38,304)	(11,401)
Adjustment in respect of prior periods	526	-
Total deferred tax	(37,778)	(11,401)
Total tax (credit)/charge	(210,558)	76,567

The total tax (credit)/charge for the year included in the profit and loss account can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2016 £	2015 £
Profit before taxation	3,543,151	2,160,902
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.33%)	708,630	439,311
Tax effect of expenses that are not deductible in determining taxable profit	7,841	6,099
Adjustments in respect of prior years	(172,780)	(9,807)
Effect of change in corporation tax rate	(18,076)	-
Group relief	(733,936)	(364,106)
Depreciation on assets not qualifying for tax allowances	(982)	4,882
Research and development tax credit	(3,745)	-
Deferred tax adjustments in respect of prior years	526	188
Other tax adjustments	1,964	-
Taxation for the period	(210,558)	76,567

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

10 Tangible fixed assets	Land and buildings freehold	Leasehold improvements	Assets under construction	Fixtures, fittings and equipment	Motor vehicles	Total
Cost or valuation	£	£	£	£	£	£
At 26 September 2015	730,000	223,750	-	905,492	202,532	2,061,774
Additions	-	-	609,005	70,382	-	679,387
Disposals	-	-	-	(3,000)	(45,331)	(48,331)
At 30 September 2016	730,000	223,750	609,005	972,874	157,201	2,692,830
Depreciation and impairment						
At 26 September 2015	91,500	197,142	-	702,007	137,049	1,127,698
Depreciation charged in the year	24,400	7,044	-	73,844	30,365	135,653
Eliminated in respect of disposals	-	-	-	(3,000)	(45,328)	(48,328)
At 30 September 2016	115,900	204,186	-	772,851	122,086	1,215,023
Carrying amount						
At 30 September 2016	614,100	19,564	609,005	200,023	35,115	1,477,807
At 25 September 2015	638,500	26,608	-	203,485	65,483	934,076

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

10 Tangible fixed assets (Continued)

The factory and office buildings were valued on an open market basis in February 2012 by Graham + Sibbald, Chartered Surveyors. The directors are not aware of any other material change in the valuation.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2016 £	2015 £
Cost	375,000	375,000
Accumulated depreciation	(375,000)	(375,000)
Carrying value	-	-

11 Fixed asset investments

	Notes	2016 £	2015 £
Investments in subsidiaries	12	1	1

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 26 September 2015 & 30 September 2016	1
Carrying amount	
At 30 September 2016	1
At 25 September 2015	1

12 Subsidiaries

Details of the company's subsidiaries at 30 September 2016 are as follows:

Name of undertaking	Country of incorporation	Nature of business	Class of shares held	% Held Direct Indirect
Gas Performance Testing Services Ltd	Scotland	Dormant company	Ordinary	100.00

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

12 Subsidiaries (Continued)

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss) £	Capital and Reserves £
Gas Performance Testing Services Ltd	-	1

13 Stocks

	2016 £	2015 £
Raw materials and consumables	1,390,934	1,326,883
Work in progress	406,553	288,454
Finished goods and goods for resale	160,166	149,712
	<u>1,957,653</u>	<u>1,765,049</u>

14 Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	2,165,324	2,066,579
Corporation tax recoverable	103,536	-
Amounts owed by group undertakings	11,942,623	8,401,861
Other debtors	119,494	21,292
Prepayments and accrued income	90,575	130,537
	<u>14,421,552</u>	<u>10,620,269</u>

15 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	936,691	988,837
Amounts due to group undertakings	1,330,173	-
Corporation tax	-	87,968
Other taxation and social security	129,461	79,847
Other creditors	94,614	6,515
Accruals and deferred income	660,732	649,921
	<u>3,151,671</u>	<u>1,813,088</u>

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

16 Financial instruments

	2016 £	2015 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	14,109,247	10,489,732
Carrying amount of financial liabilities		
Measured at amortised cost	3,022,210	1,645,273

17 Provisions for liabilities

	Notes	2016 £	2015 £
Warranty provision		110,000	85,000
Deferred tax liabilities	18	102,431	140,209
		212,431	225,209

Movements on provisions apart from retirement benefits and deferred tax liabilities:

	Warranty provision £
At 26 September 2015	85,000
Additional provisions in the year	25,000
At 30 September 2016	110,000

18 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2016 £	Liabilities 2015 £
Balances:		
Accelerated capital allowances	16,786	15,909
Revaluation surplus	108,069	124,300
Disallowable provisions	(22,424)	-
	102,431	140,209

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

18 Deferred taxation (Continued)

	2016 £
Movements in the year:	
Liability at 26 September 2015	140,209
Credit to profit or loss	(37,778)
Liability at 30 September 2016	<u>102,431</u>

19 Retirement benefit schemes

	2016 £	2015 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>105,015</u>	<u>80,585</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

20 Share capital

	2016 £	2015 £
Ordinary share capital		
Issued and fully paid		
27,440 Ordinary shares of £1 each	<u>27,440</u>	<u>27,440</u>

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

21 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Revaluation reserve

The cumulative revaluation gains and losses in respect of land and buildings, except revaluation gains and losses recognised in profit or loss.

Capital redemption reserve

The nominal value of shares repurchased and still held at the end of the reporting period.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

22 Cash generated from operations

	2016 £	2015 £
Profit for the year after tax	3,753,709	2,084,335
Adjustments for:		
Taxation (credited)/charged	(210,558)	76,567
Investment income	(20,931)	(10,826)
(Gain)/loss on disposal of tangible fixed assets	(2,122)	1,387
Depreciation and impairment of tangible fixed assets	135,653	108,275
Foreign exchange gains on cash equivalents	(740,193)	(55,538)
Increase in provisions	25,000	-
Movements in working capital:		
(Increase) in stocks	(192,604)	(287,401)
(Increase) in debtors	(3,697,747)	(2,457,985)
Increase/(decrease) in creditors	1,426,551	(54,288)
Cash generated from/(absorbed by) operations	476,758	(595,474)

23 Operating lease commitments

Lessee

At the reporting end date the company had the total future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £	2015 £
Within one year	32,000	32,000
Between one and five years	-	32,000
	32,000	64,000

24 Events after the reporting date

In March 2017 the ultimate parent company, Johnson Controls International plc, announced the sale of its Scott Safety business, of which Gas Measurement Instruments Limited is a part of, to 3M. This transaction is expected to complete in October 2017.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

25 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2016	2015
	£	£
Aggregate compensation	157,743	93,075

The company has taken advantage of the exemption in section 33.1A of FRS 102 whereby transactions with the parent company and wholly-owned members of the group have not been disclosed.

26 Controlling party

The immediate parent undertaking of the company is GMI Group Holdings Limited and its registered office is Block 2, Inchinnan Business Park, Renfrew, Strathclyde, PA4 9RG.

The company's immediate parent was acquired by Industrial Safety Technologies LLC, a group committed to developing the newest innovations in industrial safety solutions. In December 2014, Industrial Safety Technologies LLC was acquired by Scott Safety, part of Tyco International plc, one of the worlds largest fire safety and security companies. In September 2016 Tyco International plc merged with Johnson Controls International plc.

Therefore the ultimate parent company is Johnson Controls International plc, a company registered in the Republic of Ireland. Johnson Controls International plc is the parent undertaking of the largest and smallest group of which the company is a member and for which group accounts are drawn up. Copies of the consolidated accounts can be obtained from their website www.johnsoncontrols.com.