

GAS MEASUREMENT INSTRUMENTS LIMITED

Registered No. SC025020

REPORT AND ACCOUNTS

2003

Contents :	Page 1
Officers and Professional Advisers	2
Directors' Report	3 - 4
Directors' Responsibilities	5
Report of the Auditors	6 - 7
Profit and Loss Account	8
Balance Sheet	9
Cash Flow Statement	10
Notes to the Accounts	11 - 21



GAS MEASUREMENT INSTRUMENTS LIMITED**OFFICERS AND PROFESSIONAL ADVISORS**

Directors	Derek C Manson	Chairman
	James A Sheriff	Managing
	Douglas H C Cunningham	Sales
	David S Hunter	Financial
	Dr John R Gilchrist	Technical

Secretary	David S Hunter
------------------	----------------

Registered Office	Inchinnan Business Park Renfrew Strathclyde PA4 9RG
--------------------------	---

Registration Number	SC025020
----------------------------	----------

Bankers	Clydesdale Bank plc St. Vincent Place Glasgow G1
----------------	--

Auditors	Ernst & Young LLP George House 50 George Square Glasgow G2 1RR
-----------------	---

Solicitors	Biggart Baillie Dalmore House 310 St Vincent Street Glasgow G2 5QR
-------------------	---

GAS MEASUREMENT INSTRUMENTS LIMITED

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 December 2003, to be submitted to the fifty-seventh Annual General Meeting to be held at the Registered Office on 25 March 2004 at 2.00pm.

Results and dividends :

The trading profit for the year, after taxation, amounted to £112,344. The directors recommend that no dividend should be paid.

This leaves a profit of £112,344 to be transferred to reserves.

Principal Activity and Review of the Business

The company's principal activities during the year continued to be the development, manufacture, distribution and installation of electronic gas detection instruments and systems. Ongoing research and development of micro-processor based instrumentation has secured existing markets and offers the opportunity for continued expansion.

Directors and their interests :

The directors at 31 December 2003 and their interests in the ordinary share capital of the company were as follows:

	At 31 December 2003	At 1 January 2003 (or subsequent date of appointment)
J A Sheriff	-	-
D C Manson	-	-
D S Hunter	-	-
D H C Cunningham	-	-
J R Gilchrist (appointed 4/8/03)	-	-

The Articles of Association adopted on 14 March 1989 state that the Directors shall not be liable to retirement by rotation.

All of the Issued Share Capital of the Company is held by GMI Group Limited. The directors' interests in the share capital of GMI Group Limited are disclosed in the accounts of that company.

GAS MEASUREMENT INSTRUMENTS LIMITED

DIRECTORS' REPORT

(continued)

Auditors :

A resolution to reappoint Ernst & Young LLP as the company's auditors will be put to the forthcoming annual general meeting.

On behalf of the board

A handwritten signature in black ink, appearing to read 'D S Hunter'.

D S Hunter
Director and Secretary

1 March 2004

GAS MEASUREMENT INSTRUMENTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts 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 accounts 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.

Independent auditors' report to the members of Gas Measurement Instruments Limited

We have audited the company's accounts for the year ended 31 December 2003 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement, Statement of Total Recognised Gains and Losses and the related notes 1 to 24. These accounts have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the accounts 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 accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

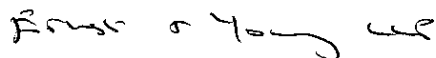
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 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 as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Glasgow

1 March 2004

GAS MEASUREMENT INSTRUMENTS LIMITED**PROFIT AND LOSS ACCOUNT**
for the year ended 31 December 2003

	notes	2003 £	2002 £
Turnover	2	6,057,514	6,129,081
Cost of sales		(3,252,515)	(3,070,941)
Gross profit		2,804,999	3,058,140
Distribution costs		(103,810)	(86,995)
Administrative expenses		(2,634,102)	(2,633,688)
Operating profit	3	67,087	337,457
Interest receivable	6	28,430	27,409
Interest payable	7	(153)	(1,079)
Profit on ordinary activities before taxation		95,364	363,787
Tax on profit on ordinary activities	8	16,980	(86,224)
Profit for the Financial Year	17	112,344	277,563
Dividends:	9,17	-	250,000
Profit retained for the Financial Year		112,344	27,563

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2003

There are no recognised gains and losses other than the profit attributable to shareholders of the company of £112,344 in the year ended 31 December 2003 and the profit of £277,563 in the year ended 31 December 2002.

The notes on pages 11 to 21 form part of these accounts.

GAS MEASUREMENT INSTRUMENTS LIMITED

BALANCE SHEET
 at 31 December 2003

	notes	2003 £	2002 £
Fixed assets :			
Tangible assets	10	<u>871,867</u>	<u>927,889</u>
Current assets :			
Stocks	11	593,774	653,325
Debtors	12	2,119,367	2,134,150
Cash at bank and in hand		<u>880,043</u>	<u>972,066</u>
		3,593,184	3,759,541
Creditors: amounts falling due within one year	13	<u>625,122</u>	<u>957,131</u>
Net current assets		2,968,062	2,802,410
Total assets less current liabilities		3,839,929	3,730,299
Provision for liabilities and charges :			
Deferred taxation	15	<u>8,282</u>	<u>10,996</u>
		3,831,647	3,719,303
Capital and reserves :			
Called up share capital	16	27,440	27,440
Capital redemption reserve		3,500	3,500
Share premium account		279,180	279,180
Revaluation reserve		546,000	546,000
Profit and loss account		<u>2,975,527</u>	<u>2,863,183</u>
Equity shareholders' funds	17	3,831,647	3,719,303

D C Manson



Director

1 March 2004

The notes on pages 11 to 21 form part of these accounts.

GAS MEASUREMENT INSTRUMENTS LIMITED

CASH FLOW STATEMENT
for the year ended 31 December 2003

	notes	2003 £	2002 £
Net cash Inflow from operating activities	18	24,612	815,768
Returns on investments and servicing of finance :			
Interest received	6	28,430	27,409
Interest element of finance lease and hire purchase payments	7	(153)	(1,079)
Taxation :			
Corporation tax paid		(60,532)	(117,726)
Capital expenditure and financial investment :			
Payments to acquire tangible fixed assets		(93,718)	(105,567)
Receipts from sales of tangible fixed assets		12,975	17,664
Equity dividends paid :			
Dividend to Group Company		-	(250,000)
		(88,386)	386,469
Financing :			
Repayment of capital element of finance leases and hire purchase payments		(3,637)	(25,181)
(Decrease)/increase in cash		(92,023)	361,288
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash		(92,023)	361,288
Cash used to repay capital element of finance leases and hire purchase contracts		3,637	25,181
Movement in net funds	18	(88,386)	386,469
Net funds at 1 January	18	968,429	581,960
Net funds at 31 December	18	880,043	968,429

The notes on pages 11 to 21 form part of these accounts.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 2003

1 ACCOUNTING POLICIES :

a) Accounting convention

The accounts are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

b) Fixed assets

All fixed assets are initially recorded at cost. Freehold land and buildings have subsequently been revalued as at 31 December 1999 with the revaluation surplus being taken to the revaluation reserve. The company has adopted the transitional provisions of FRS 15 and therefore this valuation has not been updated.

c) Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or valuation, of each asset evenly over its expected useful life as follows:

Freehold Land & Buildings	4%
Leasehold improvements	10%
Plant and equipment	10%
Office equipment and computers	20%
Vehicles	25%

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

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

d) Stocks

Stocks are stated at the lower of cost and net realisable value.

Costs include all costs incurred in bringing each product to its present location and condition as follows:

- Raw materials - purchase cost on a first-in, first-out basis.
- Work-in-progress and finished goods - cost of direct materials.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

GAS MEASUREMENT INSTRUMENTS LIMITED**NOTES TO THE ACCOUNTS at 31 December 2003
(continued)****1 ACCOUNTING POLICIES : (continued)****e) Deferred taxation**

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 have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

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

f) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are re- translated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

g) Research and development

All expenditure incurred on research and development is written off in the year of expenditure.

h) Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital payments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

i) Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 2003
(continued)**2 TURNOVER :**

Turnover represents the invoiced amount of goods sold and services provided stated net of value added tax.

The turnover and profit on ordinary activities before taxation is wholly attributable to the continuing activities of manufacture, distribution and installation of electronic gas detection instruments and systems.

An analysis of turnover by market is given below :

	2003 £	2002 £
United Kingdom	3,419,066	3,540,225
Europe	769,116	880,495
North and South America	1,479,298	1,362,129
Rest of World	390,034	346,232
	6,057,514	6,129,081

3 OPERATING PROFIT :

This is stated after charging :

	2003 £	2002 £
Depreciation of owned fixed assets	135,644	148,990
Depreciation of assets held under finance leases and hire purchase contracts	1,997	6,795
	137,641	155,785
Development expenditure written off	774,168	769,796
Auditors' remuneration - audit services	10,250	9,600
- non-audit services	7,895	11,950
Operating lease rentals - land and buildings	19,750	19,750
- plant and machinery	8,489	9,514

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 2003
(continued)

4 DIRECTORS' EMOLUMENTS :	2003	2002
	£	£
Emoluments	336,403	296,077
Company contributions paid to money purchase pension schemes	30,341	26,584
	2003	2002
	No.	No.
Members of money purchase pension schemes	5	4
	2003	2002
	£	£
The amounts in respect of the highest paid director are as follows:		
Emoluments	87,484	84,639
Company contributions paid to money purchase pension schemes	7,761	7,541
5 STAFF COSTS :	2003	2002
	£	£
Wages and salaries	2,238,716	2,182,278
Social security costs	228,728	209,063
Other pension costs	85,051	79,674
	2,552,495	2,471,015
The average weekly number of employees during the year was as follows :	No.	No.
Office and management	59	61
Manufacturing	32	31
	91	92
6 INTEREST RECEIVABLE :	2003	2002
	£	£
Bank interest and short term deposits	28,430	27,409

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 2003
(continued)

7 INTEREST PAYABLE :	notes	2003 £	2002 £
Finance charges payable under finance leases and hire purchase contracts		153	1,079

8 TAX ON PROFIT ON ORDINARY ACTIVITIES :		2003 £	2002 £
(a) Based on the profit for the year:			
Corporation tax		27,294	115,971
Corporation tax overprovided in previous years		(41,560)	(23,458)
Total current tax		(14,266)	92,513
Deferred taxation	15	(2,714)	(6,289)
		(16,980)	86,224

(b) Factors affecting the tax (credit)/charge for the year:

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before tax	95,364	363,787
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002 : 30%)	28,609	109,136
Disallowed expenses	10,877	9,266
Depreciation in advance of capital allowances	1,645	6,724
Adjustments in respect of previous periods	(41,560)	(23,458)
Others	(13,837)	(9,155)
	(14,266)	92,513

(c) Factors that may affect future tax charges:

At the balance sheet date there are no future factors that will significantly affect future tax charges.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 2003
(continued)

9 DIVIDENDS :	2003	2002
	£	£
Equity dividends on ordinary shares:		
Final paid	-	250,000

10 TANGIBLE FIXED ASSETS:

	Land, Bldgs & Leasehold Improvements £	Plant and Fixtures £	Motor Vehicles £	Total £
Cost or valuation :				
At 1 January 2003	869,799	700,151	387,834	1,957,784
Additions	8,465	48,929	36,324	93,718
Disposals	-	(164,554)	(67,231)	(231,785)
At 31 December 2003	878,264	584,526	356,927	1,819,717
Depreciation :				
At 1 January 2003	202,426	624,568	202,901	1,029,895
Charge for year	30,259	27,139	80,243	137,641
Disposals	-	(164,495)	(55,191)	(219,686)
At 31 December 2003	232,685	487,212	227,953	947,850
Net Book Value :				
At 31 December 2003	645,579	97,314	128,974	871,867
At 1 January 2003	667,373	75,583	184,933	927,889

The net book value of motor vehicles includes an amount of £Nil (2002 £15,288) in respect of assets held under finance leases and hire purchase contracts.

The freehold land and buildings situated at Renfrew were valued at their open market value for existing use, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on 31 December 1999 by Gerald Eve, Chartered Surveyors, at £720,000.

On the historical cost basis, freehold land and buildings would have been included as follows:

Cost:	£
At 1 January 2003 and 31 December 2003	375,000
Cumulative depreciation based on cost:	
At 1 January 2003	207,500
At 31 December 2003	222,500

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 2003
(continued)

11 STOCKS :	notes	2003	2002
		£	£
Raw materials and consumables		526,530	550,496
Work-in-progress		34,494	67,477
Finished goods and goods for resale		32,750	35,352
		<hr/> 593,774 <hr/>	<hr/> 653,325 <hr/>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

12 DEBTORS :		2003	2002
		£	£
Trade debtors		1,177,205	1,288,517
Other debtors		2,000	2,000
Prepayments and accrued income		110,681	51,715
Amounts owed by parent undertaking		829,481	791,918
		<hr/> 2,119,367 <hr/>	<hr/> 2,134,150 <hr/>

13 CREDITORS : Amounts falling due within one year		2003	2002
		£	£
Obligations under finance leases and hire purchase contracts	14	-	3,638
Trade creditors		429,409	604,059
Corporation tax		27,294	102,092
Other taxes and social security costs		77,474	65,542
Accruals		90,945	181,800
		<hr/> 625,122 <hr/>	<hr/> 957,131 <hr/>

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 2003
(continued)**14 OBLIGATIONS UNDER FINANCE LEASES AND
HIRE PURCHASE CONTRACTS**

	notes	2003 £	2002 £
The maturity of these amounts is as follows:			
Amounts payable :			
Within one year		-	3,661
Less: finance charges allocated to future periods		-	23
		<u>-</u>	<u>3,638</u>
Finance leases and hire purchase contracts are analysed as follows:			
Current obligations	13	-	3,638
		<u>-</u>	<u>3,638</u>

15 PROVISIONS FOR LIABILITIES AND CHARGES :

The movements in deferred taxation during the current and previous years are as follows:

		2003 £	2002 £
At 1 January		10,996	17,285
Release for the year	8	(1,645)	(6,724)
Adjustment relating to prior year	8	(1,069)	435
		<u>8,282</u>	<u>10,996</u>
At 31 December			
Full provision for deferred taxation has been made as follows:			
Capital allowances in advance of depreciation		13,382	16,096
Other timing differences		(5,100)	(5,100)
		<u>8,282</u>	<u>10,996</u>

16 SHARE CAPITAL :

		2003 No.	2002 No.
Authorised :	Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Issued :	Allotted, called up and fully paid	<u>£ 27,440</u>	<u>£ 27,440</u>

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 2003
(continued)

17 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES :

	Share Capital £	Redemp'n Reserve £	Share Premium £	Revalua'n Reserve £	Profit & Loss Account £	Total £
At 1 January 2002	27,440	3,500	279,180	546,000	2,835,620	3,691,740
Profit for the year	-	-	-	-	277,563	277,563
Dividend paid	-	-	-	-	(250,000)	(250,000)
At 1 January 2003	27,440	3,500	279,180	546,000	2,863,183	3,719,303
Profit for the year	-	-	-	-	112,344	112,344
At 31 December 2003	27,440	3,500	279,180	546,000	2,975,527	3,831,647

18 NOTES TO THE STATEMENT OF CASH FLOWS :

a) Reconciliation of operating profit to net cash inflow from operating activities		2003 £	2002 £
Operating profit		67,087	337,457
Depreciation		137,641	155,785
Gain on sale on disposal of fixed assets		(876)	(6,936)
Decrease/(increase) in stocks		59,551	(8,793)
Decrease in debtors		14,783	121,528
(Decrease)/increase in creditors		(253,574)	216,727
Net cash inflow from operating activities		24,612	815,768
b) Analysis of changes in net funds			
	At 1 Jan 2003 £	Cash Flows £	At 31 Dec 2003 £
Cash at bank and in hand	972,066	(92,023)	880,043
Finance leases and hire purchase contracts	(3,637)	3,637	-
	968,429	(88,386)	880,043

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 2003
(continued)**19 CAPITAL COMMITMENTS :**

Amounts contracted for but not provided in the financial statements amounted to £Nil (2002 - £15,093).

20 PENSION COMMITMENTS :

The company has defined contribution pension schemes for its present directors and employees and for employees this operates on the basis of a group personal pension plan. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge for the year in respect of these schemes amounted to:

	2003 £	2002 £
Directors	30,338	26,583
Employees	54,713	53,091
	<u>85,051</u>	<u>79,674</u>

No amounts were outstanding in respect of the above pension schemes at the balance sheet date.

21 OTHER FINANCIAL COMMITMENTS :

Operating leases

At 31 December 2003, the company had annual commitments under non-cancellable operating leases as set out below:

	2003 £	Land and buildings 2002 £
Operating leases which expire: In two to five years	19,750	19,750
	<u>19,750</u>	<u>19,750</u>

22 CONTINGENT LIABILITY :

The directors confirm that there are no contingent liabilities at the year end.

GAS MEASUREMENT INSTRUMENTS LIMITED

**NOTES TO THE ACCOUNTS at 31 December 2003
(continued)**

23 ULTIMATE HOLDING COMPANY :

In the directors' opinion, the company's immediate and ultimate parent undertaking and controlling party is GMI Group Limited, a company incorporated in Scotland. Copies of the accounts of GMI Group Limited can be obtained from the registered office of that company.

24 RELATED PARTY TRANSACTIONS :

The directors have taken advantage of the exemptions allowed under FRS 8 relating to subsidiary undertakings.