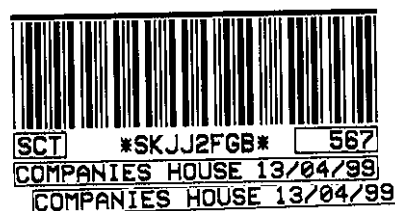


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REPORT AND ACCOUNTS**1998**

Contents :	Page 1
Officers and Professional Advisers	2
Directors' Report	3 - 4
Directors' Responsibilities	5
Report of the Auditors	6
Profit and Loss Account	7
Balance Sheet	8
Cash Flow Statement	9
Statement of Total Recognised Gains and Losses	10
Notes to the Accounts	11 - 18



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

Directors	Derek C Manson	Managing
	James A Sheriff	Technical
	James G Milne	Commercial
	Jonathan G Cooper	Sales
	David S Hunter	Financial
	T Geoffrey Whittaker	Non-executive Chairman

J G Cooper resigned on 30 January, 1998.

Secretary David S Hunter

Registered Office Inchinnan Estate
Renfrew
Strathclyde PA4 9RG

Registration Number 25020

Bankers Clydesdale Bank plc
St. Vincent Place
Glasgow G1

Auditors Ernst & Young
50 George Square
Glasgow G2 1RR

Solicitors Biggart, Baillie & Gifford
Dalmore House
310 St Vincent Street
Glasgow G2 5QR

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 December 1998, to be submitted to the fifty-second Annual General Meeting to be held at the Registered Office on 25 March 1999 at 2:00pm.

Results and dividends :

The trading profit for the year, after taxation , amounted to £25,867. The directors recommend that no dividend be paid, leaving £25,867 to be added to distributable reserves.

Business activity :

The company's principal activities during the year were the 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.

Year 2000 Compliance :

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

A company-wide programme, designed to address the impact of Year 2000 on our business, has been commissioned by the Board and is under way. Resources have been allocated and the Board receives regular reports on progress.

A significant risk analysis has been performed to determine the impact of the issue on all our activities and an action plan has been developed to address the key risks in advance of critical dates.

The cost of implementing the plan will be subsumed into the recurring activities of the departments involved.

DIRECTORS' REPORT
(continued)**Directors and their interests :**

The directors during the year to 31st December 1998 and their interests in the ordinary share capital of the company were as follows :

	At 31 December 1998 Ord. Shares	At 1 January 1998 Ord. Shares
J G Milne	-	-
J A Sheriff	-	-
D C Manson	-	-
J G Cooper	-	-
T G Whittaker	-	-
D S Hunter	-	-

The Articles of Association adopted on 14th 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 interests in the share capital of GMI Group Limited are disclosed in the accounts of that company.

Close Company :

The company is a close company within the provisions of the Income and Corporation Taxes Act, 1988.

Auditors :

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



D S Hunter
Secretary

9th March 1999

DIRECTORS' RESPONSIBILITIES

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 of fraud and other irregularities.

REPORT OF THE AUDITORS

to the members of Gas Measurement Instruments Limited

We have audited the accounts on pages 7 to 18, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.


Basis of 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 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 the company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG

Registered Auditor
Glasgow

9 March 1999

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1998


	notes	1998 £	1997 £
Turnover	2	4,832,009	5,708,040
Cost of sales		(2,599,554)	(3,138,611)
Gross profit		2,232,455	2,569,429
Distribution costs		(93,405)	(108,438)
Administrative expenses		(2,137,292)	(2,380,435)
Operating profit	3	1,758	80,556
Interest receivable	6	29,151	49,117
Interest payable	7	(5,719)	(3,502)
Profit on ordinary activities before taxation		25,190	126,171
Tax on profit on ordinary activities	8	677	(34,582)
Retained earnings for the year		25,867	91,589
Retained profit brought forward		3,066,668	2,975,079
Retained profit carried forward		3,092,535	3,066,668

The notes on pages 11 to 18 form part of these accounts.

BALANCE SHEET
at 31 December 1998

	notes	1998 £	1997 £
Fixed assets :			
Tangible assets	9	818,918	909,353
		<u>818,918</u>	<u>909,353</u>
Current assets :			
Stocks	10	509,566	595,829
Debtors	11	2,304,802	2,370,852
Cash at bank and in hand		567,804	472,809
		<u>3,382,172</u>	<u>3,439,490</u>
Creditors: amounts falling due within one year	12	506,745	690,517
Net current assets		<u>2,875,427</u>	<u>2,748,973</u>
Total assets less current liabilities		<u>3,694,345</u>	<u>3,658,326</u>
Creditors: amounts falling due after more than one year	13	20,133	14,444
		<u>3,674,212</u>	<u>3,643,882</u>
Provision for liabilities and charges :			
Deferred taxation	15	39,057	34,594
		<u>3,635,155</u>	<u>3,609,288</u>
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
Capital revaluation reserve		232,500	232,500
Profit and loss account		3,092,535	3,066,668
	17	<u>3,635,155</u>	<u>3,609,288</u>

D C Manson



Director

9th March 1999

The notes on pages 11 to 18 form part of these accounts.

CASH FLOW STATEMENT
for the year ended 31 December 1998

	notes	1998 £	1997 £
Net cash Inflow/(Outflow) from operating activities	18	161,221	(222,698)
Returns on investments and servicing of finance :			
Interest received	6	29,151	49,117
Interest element of hire purchase payments	7	(5,512)	(3,416)
Interest paid	7	(207)	(86)
Taxation			
Corporation tax paid (including advance corporation tax)		(36,889)	(331,949)
Capital expenditure:			
Payments to acquire tangible fixed assets		(20,099)	(101,209)
Receipts from sales of tangible fixed assets		21,671	27,944
		149,336	(582,297)
Financing :			
Capital element of hire purchase payments		(54,340)	(43,443)
Increase/(decrease) in cash		94,996	(625,740)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the period		94,996	(625,740)
Cash outflow from repayment of hire purchase contracts		54,340	43,443
		149,336	(582,297)
New Hire Purchase Contracts		(76,849)	(38,249)
Movement on net debt in the period	18	72,487	(620,546)
Net funds at 1 January	18	422,317	1,042,863
Net funds at 31 December	18	494,804	422,317

The notes on pages 11 to 18 form part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 1998

	notes	1998 £	1997 £
Profit on ordinary activities after taxation		25,867	91,589
Total recognised gains and losses related to the year	17	<u>25,867</u>	<u>91,589</u>

The notes on pages 11 to 18 form part of these accounts.

NOTES TO THE ACCOUNTS at 31 December 1998**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) Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis. The rates used are as follows :

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

c) Stocks

Stocks are stated at the lower of cost and net realisable value as follows :

Cost incurred in bringing each product to its present location and condition:

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 further costs expected to be incurred to completion and disposal.

d) Deferred taxation

Deferred taxation is provided on the liability method on all short term timing differences. Provision is also made for long term timing differences, except for those which are not expected to reverse in the future.

e) Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

f) Research and development

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

NOTES TO THE ACCOUNTS at 31 December 1998
(continued)

1 ACCOUNTING POLICIES : (continued)

h) Leasing and hire purchase commitments

Assets held under 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 over the periods of the lease 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) Group Accounts

The company is not required to prepare group accounts by virtue of s 248 of the Companies Act 1985.

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 totally attributable to the manufacture, distribution and installation of electronic gas detection instruments and systems.

An analysis of turnover by market is given below :

	1998 £	1997 £
United Kingdom	2,765,876	3,146,162
Exports	2,066,133	2,561,878
	<u>4,832,009</u>	<u>5,708,040</u>

3 OPERATING PROFIT :

This is stated after charging :

	1998 £	1997 £
Development expenditure written off	576,134	703,082
Directors' remuneration (see note 4)	271,374	321,126
Auditors' remuneration - audit services	10,500	10,200
non-audit services	13,295	7,835
Depreciation of owned assets	159,090	189,235
Depreciation of assets held under hire purchase agreements	22,483	17,829
Operating lease rentals - land and buildings	19,750	19,617
Hire of plant and machinery	4,213	4,275
(Profit)/loss on disposal of fixed assets	<u>(15,861)</u>	<u>8,506</u>

NOTES TO THE ACCOUNTS at 31 December 1998
(continued)

4 DIRECTORS' REMUNERATION :	1998 £	1997 £
Emoluments	271,374	321,126
Company contributions paid to money purchase pension scheme	23,749	21,852
The amounts in respect of the highest paid director are as follows:		
Emoluments	79,207	80,293
Company contributions paid to money purchase pension scheme	6,803	5,956

5 STAFF COSTS :	1998 £	1997 £
Wages and salaries	1,674,336	1,847,863
Social security costs	164,088	177,156
Other pension costs	70,188	72,837
	1,908,612	2,097,856

The average weekly number of employees during the year was made up as follows :

	No.	No.
Office and management	54	56
Manufacturing	32	43
	86	99

6 INTEREST RECEIVABLE :	1998 £	1997 £
Bank interest and short term deposits	29,151	49,117

7 INTEREST PAYABLE :	1998 £	1997 £
Bank loans and overdraft	207	86
Hire purchase loans wholly repayable within five years	5,512	3,416
	5,719	3,502

NOTES TO THE ACCOUNTS at 31 December 1998
(continued)

8 TAX ON PROFIT ON ORDINARY ACTIVITIES :

	1998 £	1997 £
Based on the profit for the year :		
Corporation tax at 21% (1997 33%)	16,469	50,328
Deferred taxation	(8,439)	(19,529)
	<u>8,030</u>	<u>30,799</u>
Corporation tax over provided in previous years	(21,609)	-
Deferred taxation under provided in previous years	12,902	3,783
	<u>(677)</u>	<u>34,582</u>

9 TANGIBLE FIXED ASSETS:

	Land, Bldgs & Leasehold Improvements £	Plant and Fixtures £	Motor Vehicles £	Total £
Cost :				
At 1 January 1998	747,511	725,064	362,412	1,834,987
Additions	-	12,561	84,387	96,948
Disposals	-	(6,882)	(55,315)	(62,197)
At 31 December '98	747,511	730,743	391,484	1,869,738
Depreciation :				
At 1 January 1998	234,946	478,265	212,423	925,634
Charge for year	35,480	66,373	79,720	181,573
Disposals	-	(2,462)	(53,925)	(56,387)
At 31 December '98	270,426	542,176	238,218	1,050,820
Net Book Value :				
At 31 December '98	477,085	188,567	153,266	818,918
At 1 January 1998	512,565	246,799	149,989	909,353

The net book value of £818,918 includes an amount of £101,871 (1997 £77,040) in respect of assets held under hire purchase agreements.

The freehold land and buildings situated at Renfrew were valued at their open market value for existing use on 31 December 1993 by Gerald Eve, Chartered Surveyors, at £550,000.

The historical cost of land and buildings included at valuation between 1 January 1998 and 31 December 1998 was £317,500.

NOTES TO THE ACCOUNTS at 31 December 1998
(continued)

10 STOCKS :	1998	1997
	£	£
Raw materials and consumables	390,844	457,484
Work-in-progress	59,907	63,629
Finished goods and goods for resale	58,815	74,716
	<u>509,566</u>	<u>595,829</u>

11 DEBTORS :	1998	1997
	£	£
Trade debtors	928,315	1,217,866
Other debtors	2,000	1,350
Prepayments and accrued income	9,019	49,038
Inter group balances	1,365,468	1,102,598
	<u>2,304,802</u>	<u>2,370,852</u>

12 CREDITORS : Amounts falling due within one year	1998	1997
	£	£
Trade creditors in respect of operating activities	253,970	394,317
Trade creditors	253,970	394,317
Obligations under hire purchase contracts	52,868	36,049
Bank overdraft (see below)	-	-
Current corporation tax	16,469	58,498
Other taxes and social security costs	94,249	83,874
Accruals	89,189	117,779
	<u>506,745</u>	<u>690,517</u>

The bank overdraft is secured by a floating charge over the assets of the company.

13 CREDITORS : Amounts falling due after more than one year	1998	1997
	£	£
Obligations under hire purchase contracts	20,133	14,444
	<u>20,133</u>	<u>14,444</u>

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1998
(continued)

14 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS :	1998 £	1997 £
Amounts payable :		
Within one year	52,868	36,048
Within two to five years	20,133	14,444
	<u>73,001</u>	<u>50,492</u>
Analysis of changes in hire purchase contracts during the year :		
Obligations at 1 January	50,492	55,686
Fixed assets purchased during the year on hire purchase	76,849	38,249
Capital element of hire purchase rental payments	(54,340)	(43,443)
	<u>73,001</u>	<u>50,492</u>
Obligations at 31 December		

15 DEFERRED TAXATION :

Deferred taxation provided in the accounts and the potential amounts, including the amounts for which provision has been made, are as follows :

Potential and Provision

	1998 £	1997 £
Accelerated capital allowances	39,057	34,594
	<u>39,057</u>	<u>34,594</u>

16 SHARE CAPITAL :

	1998 No.	1997 No.
Authorised : Ordinary shares of £1 each	50,000	50,000
	<u>£</u>	<u>£</u>
Issued : Allotted, called up and fully paid	27,440	27,440
Analysis of changes in share capital during the year :		
At 1 January	27,440	27,440
At 31 December	<u>27,440</u>	<u>27,440</u>

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1998
(continued)

17 RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENTS ON RESERVES :

	Share Capital £	Redemp'n Reserve £	Share Premium £	Revalua'n Reserve £	Profit & Loss Account £	Total £
At 1 January 1997	27,440	3,500	279,180	232,500	2,975,079	3,517,699
Profit for the year	-	-	-	-	91,589	91,589
At 1 January 1998	27,440	3,500	279,180	232,500	3,066,668	3,609,288
Profit for the year	-	-	-	-	25,867	25,867
At 31 December '98	27,440	3,500	279,180	232,500	3,092,535	3,635,155

18 NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of operating profit to net cash inflow from operating activities	1998 £	1997 £
Operating profit	1,758	80,556
Depreciation	181,573	207,064
(Gain)/Loss on sale on disposal of fixed assets	(15,861)	8,506
Decrease in stocks	86,263	3,168
Decrease/(Increase) in debtors	66,050	(278,360)
(Decrease) in creditors	(158,562)	(243,632)
Net cash inflow/(outflow) from operating activities	161,221	(222,698)

b) Analysis of changes in net debt

	At 1 Jan 1998 £	Cash Flows £	Other Changes £	At 31 Dec 1998 £
Cash at bank and in hand	472,809	94,996	-	567,805
Hire purchase contracts	(50,492)	54,340	(76,849)	(73,001)
	422,317	149,336	(76,849)	494,804

19 CAPITAL COMMITMENTS :

There were no capital commitments at 31 December 1998.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1998
(continued)

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 pension cost charge for the year in respect of these schemes amounted to :

	1998 £	1997 £
Directors	23,749	21,852
Employees	46,439	50,985
	<hr/>	<hr/>
	70,188	72,837
	<hr/>	<hr/>

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

21 OPERATING LEASES :

Operating leases - the company is committed under operating lease agreements to make total annual payments on property leases which expire in :

	1998 £	1997 £
Over five years.	19,750	19,750
	<hr/>	<hr/>

22 CONTINGENT LIABILITY :

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

23 ULTIMATE HOLDING COMPANY :

The parent undertaking of Gas Measurement Instruments Limited is GMI Group Limited. Copies of the accounts of GMI Group Limited can be obtained from the registered office of that company.

GAS MEASUREMENT INSTRUMENTS LIMITED

TRADING ACCOUNT for the year ended 31 December 1998

		1998		1997
	%	£	%	£
Sale of instruments		4,765,156		5,638,339
Carriage charged		66,853		69,701
Turnover	100.0	4,832,009	100.0	5,708,040
Cost of raw materials -				
Purchases & royalties		1,460,727		1,845,645
(Increase) / decrease in stock		86,263		3,168
Distribution costs		93,405		108,438
Settlement commission USA		-		3,168
Gross profit	66.1	3,191,614	65.7	3,747,621
R. & D. materials and costs		26,104		150,693
Salaries, N.I., pension and other costs		1,723,164		1,790,910
Travelling and entertaining		129,110		185,110
Motor car expenses		56,526		59,474
Sundry selling and office costs		46,552		47,159
Rent and rates		52,048		52,914
Heat and light		23,235		12,986
Insurances		63,892		73,412
Telephones, telex, fax and post		60,014		73,494
Printing and stationery		40,293		41,794
Advertising		80,552		78,943
Repairs and renewals		19,363		27,352
Consumable materials		77,735		78,201
Bad debts		14,459		20,360
Legal fees		7,306		12,699
Canteen		6,142		6,833
Taxation & accountancy fees		13,295		7,835
Trading profit	15.6	751,824	18.0	1,027,452
Interest		(23,432)		(45,615)
Audit fee		10,500		10,200
Depreciation		181,573		207,064
Loss/(Gain) on sale of assets		(15,861)		8,506
Directors' remuneration		273,854		321,126
Group Charges		300,000		400,000
Net profit before tax	0.5	25,190	202.0	126,171