

Company Registration No. SC025020 (Scotland)

GAS MEASUREMENT INSTRUMENTS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 DECEMBER 2018

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GAS MEASUREMENT INSTRUMENTS LIMITED

COMPANY INFORMATION

Directors	D Hunter D Ashley M Malik S Semerciyan
Secretary	I Brown
Company number	SC025020
Registered office	Inchinnan Business Park Renfrew 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 PERIOD ENDED 31 DECEMBER 2018

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.

At 30 September 2017, GMI was part of the Tyco gas & flame detection business owned by Johnson Controls, a global diversified technology and multi industrial leader, headquartered in Milwaukee. In October 2017, Johnson Controls sold its Scott Safety business, which included the gas & flame detection business, to 3M, a science based, technology company, headquartered in St. Paul, Minneapolis. In June 2019, 3M announced that it had received a binding offer from Teledyne Technologies Incorporated to purchase 3M's gas and flame detection business, which includes GMI. The transaction is expected to complete in the second half of 2019.

Fair review of the business

During 2018, the Company demonstrated sales growth, recording turnover of £21.5 million compared with £16.3 million in 2017 – an increase of 32%. This increase was partly due to the change of accounting reference date to 31 December, creating a 15-month accounting period. The business also benefited from access to new sales channels established through the 3M Personal Safety Division sales organisation. As in recent years, efforts were made to grow the business, whilst controlling the current level of business infrastructure costs, which resulted in the Operating Profit remaining stable as a percentage of turnover (25% of turnover in both 2017 and 2018). Growth in turnover, together with Operating Profit %, were the Company's key financial performance indicators. Annualised growth in turnover and Operating Profit were in line with 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 and for 2018 were generally in line with expectations.

The profit in 2018 generated sufficient cash flow to continue the programme of research and new product development. 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, extending our distribution network, and identifying new product applications. 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 2018, 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 PERIOD ENDED 31 DECEMBER 2018

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

Date: 29 JULY 2019

GAS MEASUREMENT INSTRUMENTS LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2018

The directors present their report and financial statements for the period ended 31 December 2018.

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 period and up to the date of signature of the financial statements were as follows:

D Hunter	
B Lerner	(Resigned 4 October 2017)
P Schieser	(Resigned 4 October 2017)
M Ayre	(Resigned 4 October 2017)
D Ashley	(Appointed 4 October 2017)
M Chambers	(Appointed 4 October 2017 and resigned 31 May 2018)
M Malik	(Appointed 4 October 2017)
S Semerciyan	(Appointed 1 May 2018)

Results and dividends

The results for the period are set out on page 8.

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 as permitted by The Companies Act 2006, 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 each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director 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 PERIOD ENDED 31 DECEMBER 2018

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 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.

On behalf of the board



D Hunter
Director

Date: 29 JULY 2019

GAS MEASUREMENT INSTRUMENTS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2018

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

We have audited the financial statements of Gas Measurement Instruments Limited (the 'Company') for the period ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the period 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report

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.

Responsibilities of directors

As explained more fully 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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 (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
31/7/19

GAS MEASUREMENT INSTRUMENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2018

		Period ended 31 December 2018 £	Year ended 30 September 2017 £
	Notes		
Turnover	3	21,464,486	16,326,167
Cost of sales		(11,693,891)	(7,546,423)
Gross profit		9,770,595	8,779,744
Distribution costs		(158,404)	(153,479)
Administrative expenses		(4,395,908)	(4,641,456)
Other operating income		168,054	100,800
Operating profit	6	5,384,337	4,085,609
Interest receivable and similar income	8	15	10,853
Interest payable and similar expenses	9	(32)	(10,736)
Profit before taxation		5,384,320	4,085,726
Tax on profit	10	(596,664)	(427,075)
Profit for the financial period		4,787,656	3,658,651

GAS MEASUREMENT INSTRUMENTS LIMITED**BALANCE SHEET****AS AT 31 DECEMBER 2018**

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	12	1,021,297		1,453,204	
Investments	13		1		1
		<u>1,021,298</u>		<u>1,453,205</u>	
Current assets					
Stocks	15	2,099,706		2,184,109	
Debtors	16	8,529,198		3,989,636	
Cash at bank and in hand		222,144		6,314	
		<u>10,851,048</u>		<u>6,180,059</u>	
Creditors: amounts falling due within one year	17	<u>(2,279,357)</u>		<u>(2,793,396)</u>	
Net current assets		<u>8,571,691</u>		<u>3,386,663</u>	
Total assets less current liabilities		<u>9,592,989</u>		<u>4,839,868</u>	
Provisions for liabilities	20	<u>(215,062)</u>		<u>(249,597)</u>	
Net assets		<u>9,377,927</u>		<u>4,590,271</u>	
Capital and reserves					
Called up share capital	23	27,440		27,440	
Share premium account	24	279,180		279,180	
Revaluation reserve	24	621,500		621,500	
Capital redemption reserve	24	3,500		3,500	
Profit and loss reserves	24	8,446,307		3,658,651	
Total equity		<u>9,377,927</u>		<u>4,590,271</u>	

The financial statements were approved by the board of directors and authorised for issue on 29 JULY 2019 and are signed on its behalf by:



D Hunter
Director

GAS MEASUREMENT INSTRUMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018

	Notes	Share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 October 2016		27,440	279,180	621,500	3,500	14,457,991	15,389,611
Period ended 30 September 2017:							
Profit and total comprehensive income for the year		-	-	-	-	3,658,651	3,658,651
Dividends	11	-	-	-	-	(14,457,991)	(14,457,991)
Balance at 30 September 2017		27,440	279,180	621,500	3,500	3,658,651	4,590,271
Period ended 31 December 2018:							
Profit and total comprehensive income for the period		-	-	-	-	4,787,656	4,787,656
Balance at 31 December 2018		27,440	279,180	621,500	3,500	8,446,307	9,377,927

GAS MEASUREMENT INSTRUMENTS LIMITED

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from operations	25	1,303,681		12,913,798	
Interest paid		(32)		(10,736)	
Income taxes (paid)/refunded		(330,000)		103,536	
Net cash inflow from operating activities		973,649		13,006,598	
Investing activities					
Purchase of tangible fixed assets		(103,020)		(109,350)	
Proceeds on disposal of tangible fixed assets		4,172		518	
Interest received		15		10,853	
Net cash used in investing activities		(98,833)		(97,979)	
Financing activities					
Dividends paid		-		(14,457,991)	
Net cash used in financing activities		-		(14,457,991)	
Net increase/(decrease) in cash and cash equivalents		874,816		(1,549,372)	
Cash and cash equivalents at beginning of period		(652,672)		896,700	
Cash and cash equivalents at end of period		222,144		(652,672)	
Relating to:					
Cash at bank and in hand		222,144		6,314	
Bank overdrafts included in creditors payable within one year		-		(658,986)	

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Gas Measurement Instruments Limited is a private company limited by shares incorporated in Scotland. The registered office and principal place of business is Inchinnan Business Park, Renfrew, 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, including the provisions of the large and medium sized companies and groups (accounts and reports) Regulations 2008, and under the historical cost convention.

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 principal accounting policies 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.

From the 4th October 2017 Gas Measurement Instruments Limited became a wholly owned subsidiary of The 3M Company. The results of Gas Measurement Instruments Limited are included in the consolidated financial statements of 3M which are available from www.3M.com.

Going concern

The Company has continued to trade profitably post year end, and the directors are not aware of any reasons why the Company should not continue to trade profitably and generate positive cash flows. Management have prepared projections which, taking account of reasonably possible changes in trading performance, show that the Company will be able to operate within its current facilities. Accordingly the directors continue to adopt the going concern basis in preparing the financial statements.

Reporting period

The company has produced financial statements for the 15 month period ended 31 December 2018. This was extended to bring the year end into line with other group companies.

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 PERIOD ENDED 31 DECEMBER 2018

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 - 33% 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.

Impairment of fixed assets

At each reporting end date, the Company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that those assets have suffered an impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying 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.

An impairment loss will only be reversed if the reasons for the impairment have ceased to apply, and reversal would be recognised in profit or loss, or for revalued assets, as a revaluation gain.

Fixed assets investments

Interests in subsidiaries 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.

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 if 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. Bank overdrafts are shown within borrowings in current liabilities.

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.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised 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.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

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.

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 date.

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.

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.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

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 period they are payable. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

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.

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

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 £176,000 (2017: £159,000).

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

3 Turnover and other revenue

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

	2018 £	2017 £
Turnover analysed by class of business		
Sale of goods	19,739,778	14,773,436
Sale of services	1,724,708	1,552,731
	<u>21,464,486</u>	<u>16,326,167</u>
	2018 £	2017 £
Other revenue		
Interest income	15	10,853
Other income	168,054	100,800
	<u>168,069</u>	<u>111,653</u>
	2018 £	2017 £
Turnover analysed by geographical market		
United Kingdom	7,497,252	5,959,376
Europe	3,940,411	2,762,029
North and South America	7,361,927	5,625,581
Rest of World	2,664,896	1,979,181
	<u>21,464,486</u>	<u>16,326,167</u>

4 Employees

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

	2018 Number	2017 Number
Office and management	52	53
Manufacturing	43	43
	<u>95</u>	<u>96</u>

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

4 Employees (Continued)

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	4,608,446	3,955,745
Social security costs	461,707	366,321
Pension costs	207,957	158,275
	<u>5,278,110</u>	<u>4,480,341</u>

5 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	206,338	152,109
Company pension contributions to defined contribution schemes	11,041	8,635
	<u>217,379</u>	<u>160,744</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2018 £	2017 £
Remuneration for qualifying services	206,338	n/a
Company pension contributions to defined contribution schemes	11,041	n/a
	<u></u>	<u></u>

6 Operating profit

	2018 £	2017 £
Operating profit for the period is stated after charging/(crediting):		
Exchange (gains)/losses	(46,552)	138,054
Research and development costs	219,508	163,435
Depreciation of owned tangible fixed assets	322,881	133,938
Loss/(profit) on disposal of tangible fixed assets	207,874	(503)
Cost of stocks recognised as an expense	9,122,254	5,729,488
Operating lease charges	55,139	49,402
	<u></u>	<u></u>

Exchange differences recognised in profit or loss during the period, except for those arising on financial instruments measured at fair value through profit or loss, amounted to a gain of £46,552 (2017 - a loss of £138,054).

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

7 Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	13,400	25,800
For other services		
All other non-audit services	5,990	4,450

8 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Other interest income	15	10,853

9 Interest payable and similar expenses

	2018 £	2017 £
Other finance costs:		
Other interest	32	10,736

10 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	1,087,108	438,909
Adjustments in respect of prior periods	(438,909)	-
Total current tax	648,199	438,909
Deferred tax		
Origination and reversal of timing differences	(51,535)	(1,901)
Adjustment in respect of prior periods	-	(9,933)
Total deferred tax	(51,535)	(11,834)
Total tax charge	596,664	427,075

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

10 Taxation (Continued)

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

	2018	2017
	£	£
Profit before taxation	5,384,320	4,085,726
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.50%)	1,023,021	796,717
Tax effect of expenses that are not deductible in determining taxable profit	648	1,334
Effect of change in corporation tax rate	-	279
Group relief	-	(366,014)
Depreciation on assets not qualifying for tax allowances	5,842	4,748
Deferred tax adjustments in respect of prior years	-	(9,933)
Other tax adjustments	6,062	(56)
Adjustment to tax charge in respect of previous periods	(438,909)	-
Taxation charge for the period	596,664	427,075

11 Dividends

	2018	2017
	£	£
Final paid	-	14,457,991

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

12 Tangible fixed assets

	Land and buildings freehold	Leasehold improvements	Assets under construction	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 October 2017	730,000	227,713	371,515	1,230,818	107,252	2,667,298
Additions	-	21,627	-	81,393	-	103,020
Disposals	-	-	(212,046)	-	(17,445)	(229,491)
Transfers	-	-	(159,469)	159,469	-	-
At 31 December 2018	730,000	249,340	-	1,471,680	89,807	2,540,827
Depreciation and impairment						
At 1 October 2017	140,300	207,508	-	770,626	95,660	1,214,094
Depreciation charged in the period	30,500	4,542	-	276,247	11,592	322,881
Eliminated in respect of disposals	-	-	-	-	(17,445)	(17,445)
At 31 December 2018	170,800	212,050	-	1,046,873	89,807	1,519,530
Carrying amount						
At 31 December 2018	559,200	37,290	-	424,807	-	1,021,297
At 30 September 2017	589,700	20,205	371,515	460,192	11,592	1,453,204

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

12 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 material change in this 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:

	2018 £	2017 £
Cost	375,000	375,000
Accumulated depreciation	(375,000)	(375,000)
Carrying value	-	-

13 Fixed asset investments

	Notes	2018 £	2017 £
Investments in subsidiaries	14	1	1

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 October 2017 & 31 December 2018	1
Carrying amount	
At 31 December 2018	1
At 30 September 2017	1

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Gas Performance Testing Services Ltd	Block 2, Inchinnan Business Park, Renfrew, PA4 9RG	Dormant company	Ordinary	100.00

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

14 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

15 Stocks

	2018 £	2017 £
Raw materials and consumables	1,067,197	1,768,885
Work in progress	918,821	320,775
Finished goods and goods for resale	113,688	94,449
	<u>2,099,706</u>	<u>2,184,109</u>

16 Debtors

Amounts falling due within one year:	2018 £	2017 £
Trade debtors	3,754,778	2,604,561
Amounts owed by group undertakings	4,545,322	1,323,403
Other debtors	125,793	-
Prepayments and accrued income	103,305	61,672
	<u>8,529,198</u>	<u>3,989,636</u>

17 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	18	-	658,986
Trade creditors		775,150	779,930
Amounts due to group undertakings		50,194	110,423
Corporation tax		757,108	438,909
Other taxation and social security		82,800	112,016
Other creditors		45,978	38,453
Accruals and deferred income		568,127	654,679
		<u>2,279,357</u>	<u>2,793,396</u>

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

18 Borrowings

	2018 £	2017 £
Bank overdrafts	-	658,986
Payable within one year	-	658,986

19 Financial instruments

	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	8,300,100	3,927,964
Carrying amount of financial liabilities		
Measured at amortised cost	1,439,449	2,242,471

20 Provisions for liabilities

	Notes	2018 £	2017 £
Warranty provision		176,000	159,000
Deferred tax liabilities	21	39,062	90,597
		215,062	249,597

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

	Warranty provision £
At 1 October 2017	159,000
Additional provisions in the year	17,000
At 31 December 2018	176,000

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.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

21 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 2018 £	Liabilities 2017 £
Balances:		
Accelerated capital allowances	90,597	113,007
Disallowable provisions	(51,535)	(22,410)
	<u>39,062</u>	<u>90,597</u>

There were no deferred tax movements in the period.

22 Retirement benefit schemes

	2018 £	2017 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>207,957</u>	<u>158,275</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.

23 Share capital

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
27,440 Ordinary shares of £1 each	<u>27,440</u>	<u>27,440</u>
	<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.

24 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.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

24 Reserves (Continued)

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.

25 Cash generated from operations

	2018 £	2017 £
Profit for the period after tax	4,787,656	3,658,651
Adjustments for:		
Taxation charged	596,664	427,075
Finance costs	32	10,736
Investment income	(15)	(10,853)
Loss/(gain) on disposal of tangible fixed assets	207,874	(503)
Depreciation and impairment of tangible fixed assets	322,881	133,938
Increase in provisions	17,000	49,000
Movements in working capital:		
Decrease/(increase) in stocks	84,403	(226,456)
(Increase)/decrease in debtors	(4,539,562)	10,328,380
(Decrease) in creditors	(173,252)	(1,456,170)
Cash generated from operations	1,303,681	12,913,798

26 Events after the reporting date

In June 2019 the ultimate parent company, 3M, announced the sale of its gas and flame detection business, of which Gas Measurement Instruments Limited is a part of, to Teledyne Technologies Incorporated. This transaction is expected to complete in the second half of 2019.

27 Related party transactions

Remuneration of key management personnel

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

	2018 £	2017 £
Aggregate compensation	244,979	179,417

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

28 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. GMI Group Holdings Limited in turn was owned through the Scott Safety Group, who were then owned by Johnson Controls International plc.

At 30 September 2017, Johnson Controls International plc, a company registered in the Republic of Ireland with its registered address being 1 Albert Quay, Cork, Ireland, was the ultimate parent company, and 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.

On 4 October 2017, 3M, a company registered in the United States of America, completed the acquisition of the Scott Safety Group from Johnson Controls International plc. As a result, from this date onwards, the ultimate parent company, and the largest and smallest group of which the company is a member and for which accounts are drawn up will be 3M, with its registered office being 3M Corporate Headquarters, 3M Center, St. Paul, MN 55144-1000. Copies of the consolidated accounts can be obtained from their website www.3M.com.