



REPORT AND ACCOUNTS

1996

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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 - Appointed 25/07/96
	T Geoffrey Whittaker	Non executive chairman
Secretary	David S Hunter	Appointed 25/07/96
	James G Milne	Resigned 25/07/96
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 1996, to be submitted to the fiftieth Annual General Meeting to be held at the Registered Office on Tuesday, 25th March 1997 at 2:00pm.

Results and dividends :

The trading profit for the year, after taxation, amounted to £570,747. The directors recommend that no dividend be paid, leaving £570,747 to be added to distributable reserves.

Business review and prospects :

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.

On 16th February 1996, GMI terminated its overall North American distributorship agreement in accordance with the terms stated therein. One of the sub-distributors maintained that he had a direct agreement with GMI and brought litigation for a preliminary injunction and damages. GMI entered a legal defence but negotiated an out of court settlement, in recognition of previous performance.

In the Directors' opinion settlement of this position has greatly enhanced the Company's ability to expand its business in North America and that all costs arising are being funded from ongoing North American revenue.

Directors and their interests :

The directors during the year to 31st December 1996 and their interests in the ordinary share capital of the company were as follows :

	At 31 December 1996 Ord. Shares	At 1 January 1996 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.

DIRECTORS' REPORT
(continued)

Fixed Assets :

Movements in fixed assets are shown at note 10 to the accounts.

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

A handwritten signature in black ink, appearing to read 'D S Hunter', written in a cursive style.

D S Hunter
Secretary

28th February 1997

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 the apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- 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 20, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 11.

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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG

Chartered Accountants
Registered Auditor
Glasgow

28 February 1997

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1996

	notes	1996 £	1995 £
Turnover	2	8,302,208	6,065,964
Cost of sales		(4,520,985)	(3,364,191)
Gross profit		3,781,223	2,701,773
Distribution costs		(115,989)	(100,967)
Administrative expenses		(2,804,784)	(2,221,098)
Operating profit	3	860,450	379,708
Interest receivable	6	50,767	12,858
Interest payable	7	(3,951)	(5,824)
Profit on ordinary activities before taxation		907,266	386,742
Tax on profit on ordinary activities	8	(336,519)	(121,083)
Profit on ordinary activities after taxation		570,747	265,659
Dividends	9	-	(18,000)
Retained earnings for the year		570,747	247,659
Retained profit brought forward		2,404,332	2,156,673
Retained profit carried forward		<u>2,975,079</u>	<u>2,404,332</u>

The notes on pages 11 to 20 form part of these accounts.

BALANCE SHEET
at 31 December 1996

	notes	1996 £	1995 £
Fixed assets :			
Tangible assets	10	1,059,420	1,056,632
		<u>1,059,420</u>	<u>1,056,632</u>
Current assets :			
Stocks	11	598,997	647,133
Debtors	12	2,092,492	2,325,433
Cash at bank and in hand		1,098,549	158,950
		<u>3,790,038</u>	<u>3,131,516</u>
Creditors: amounts falling due within one year	14	1,264,420	1,170,550
Net current assets		<u>2,525,618</u>	<u>1,960,966</u>
Total assets less current liabilities		<u>3,585,038</u>	<u>3,017,598</u>
Creditors: amounts falling due after more than one year	15	16,999	13,626
		<u>3,568,039</u>	<u>3,003,972</u>
Provision for liabilities and charges :			
Deferred taxation	18	50,340	57,020
		<u>3,517,699</u>	<u>2,946,952</u>
Capital and reserves :			
Called up share capital	19	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		2,975,079	2,404,332
	20	<u>3,517,699</u>	<u>2,946,952</u>

D C Manson



Director

28th February 1997

The notes on pages 11 to 20 form part of these accounts.

CASH FLOW STATEMENT
for the year ended 31 December 1996

	notes	1996 £	1995 £
Net cash inflow from operating activities	3	1,209,366	(34,995)
Returns on investments and servicing of finance :			
Interest received	6	50,767	12,858
Interest element of hire purchase payments	7	(3,738)	(5,699)
Interest paid	7	(213)	(125)
Dividends paid	9	-	(18,000)
Net cash outflow from returns on investments and servicing of finance		46,816	(10,966)
Taxation			
Corporation tax paid (including advance corporation tax)		(121,309)	(71,645)
Investing activities :			
Payments to acquire tangible fixed assets		(137,925)	(83,110)
Receipts from sales of tangible fixed assets		5,999	63,500
Net cash outflow from investing activities		(131,926)	(19,610)
Net cash inflow before financing		1,002,947	(137,216)
Financing :			
Allotment of Shares	19	-	(285,120)
Capital element of hire purchase payments	17	63,348	94,946
Repayment of long term loan	16	-	14,063
Net cash outflow/(inflow) from financing		63,348	(176,111)
Increase in cash and cash equivalents	13	939,599	38,895
		1,002,947	(137,216)

The notes on pages 11 to 20 form part of these accounts.



GAS MEASUREMENT INSTRUMENTS LIMITED

Page 10

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 1996

	notes	1996 £	1995 £
Profit on ordinary activities after taxation		570,747	265,659
Total recognised gains and losses related to the year	20	<u>570,747</u>	<u>265,659</u>

The notes on pages 11 to 20 form part of these accounts.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1996

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 - 1996, cost of direct materials. 1995, cost of direct materials and direct labour plus attributable overheads based on normal level of activity.

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.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1996
(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 :

	1996 £	1995 £
United Kingdom	5,012,633	3,602,052
Exports	3,289,575	2,463,912
	<u>8,302,208</u>	<u>6,065,964</u>

3 OPERATING PROFIT :

a) This is stated after charging :

	1996 £	1995 £
Development expenditure written off	624,263	494,548
Directors' remuneration (see note 4)	314,691	280,912
Auditors' remuneration - audit services	10,100	9,900
non-audit services	15,000	9,060
Depreciation of owned assets	158,545	147,027
Depreciation of assets held under hire purchase agreements	29,680	29,217
Operating lease rentals - land and buildings	19,500	19,500
Hire of plant and machinery	5,105	3,181
(Profit) on disposal of fixed assets	<u>(2,825)</u>	<u>(11,699)</u>

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1996
(continued)

3 OPERATING PROFIT : Ctd.

	1996 £	1995 £
b) Reconciliation of operating profit to net cash inflow from operating activities:		
Operating profit	860,450	379,708
Depreciation	188,225	176,244
(Profit) on disposal of fixed assets	(2,825)	(11,699)
Decrease in stocks	48,136	110,851
(Increase) / decrease in debtors	232,941	(1,108,397)
Increase / (decrease) in creditors	(117,561)	418,298
Net cash (outflow) / inflow from operating activities	<u>1,209,366</u>	<u>(34,995)</u>

4 DIRECTORS' REMUNERATION :

	1996 £	1995 £
Fees	24,000	12,000
Other emoluments (including pension contributions)	290,691	268,912
	<u>314,691</u>	<u>280,912</u>
Emoluments (excluding pension contributions) of the former chairman.	-	5,044
Emoluments (excluding pension contributions) of the present chairman	24,000	12,000
Emoluments (excluding pension contributions) of the highest paid director	<u>79,874</u>	<u>78,899</u>
Emoluments (excluding pension contributions) of the directors fell within the following ranges :	1996 No.	1995 No.
£ 0 - £ 5,000	-	3
£ 5,001 - £10,000	-	1
£10,001 - £15,000	-	1
£20,001 - £25,000	2	-
£40,001 - £45,000	-	1
£45,001 - £50,000	1	-
£55,001 - £60,000	1	1
£60,001 - £65,000	1	1
£75,001 - £80,000	1	1

GAS MEASUREMENT INSTRUMENTS LIMITED
NOTES TO THE ACCOUNTS at 31 December 1996
(continued)

5 STAFF COSTS :	1996 £	1995 £
Wages and salaries	1,874,759	1,691,575
Social security costs	160,343	143,995
Other pension costs	62,754	61,397
	<u>2,097,856</u>	<u>1,896,967</u>
The average weekly number of employees during the year was made up as follows :		
	No.	No.
Office and management	56	54
Manufacturing	48	38
	<u>104</u>	<u>92</u>
 6 INTEREST RECEIVABLE :	 1996 £	 1995 £
Bank interest and short term deposits	<u>50,767</u>	<u>12,858</u>
 7 INTEREST PAYABLE :	 1996 £	 1995 £
Bank loans and overdraft	213	125
Hire purchase loans wholly repayable within five years	3,738	5,699
	<u>3,951</u>	<u>5,824</u>
 8 TAX ON PROFIT ON ORDINARY ACTIVITIES :	 1996 £	 1995 £
Based on the profit for the year :		
Corporation tax at 33% (1995 33%) adjusted for marginal relief.	343,045	122,731
Deferred taxation	(9,925)	(1,648)
	<u>333,120</u>	<u>121,083</u>
Corporation tax under provided in previous years	154	-
Deferred taxation under provided in previous years	3,245	-
	<u>336,519</u>	<u>121,083</u>

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1996
(continued)

9 DIVIDENDS :	1996 £	1995 £
Ordinary - interim paid <i>in specie</i>	-	18,000
Ordinary - final	-	-
	<u>-</u>	<u>18,000</u>

10 TANGIBLE FIXED ASSETS:

	Land, Bldgs & Leasehold Improvements £	Plant and Fixtures £	Motor Vehicles £	Total £
Cost :				
At 1 January 1996	731,799	764,333	304,618	1,800,750
Additions	3,009	83,699	107,480	194,188
Disposals	-	(4,727)	(22,738)	(27,465)
At 31 December '96	734,808	843,305	389,360	1,967,473
Depreciation :				
At 1 January 1996	166,180	457,165	120,774	744,119
Charge for year	34,010	71,970	82,245	188,225
Disposals	-	(4,285)	(20,006)	(24,291)
At 31 December '96	200,190	524,850	183,013	908,053
Net Book Value :				
At 31 December '96	534,618	318,455	206,347	1,059,420
At 1 January 1996	565,619	307,168	183,844	1,056,631

The net book value of £1,059,420 includes an amount of £105,869 (1995 £107,393) 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 1996 and 31 December 1996 was £317,500.

11 STOCKS :	1996 £	1995 £
Raw materials and consumables	496,360	424,860
Work-in-progress	73,772	155,516
Finished goods and goods for resale	28,865	66,757
	<u>598,997</u>	<u>647,133</u>

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1996
(continued)

12 DEBTORS :	1996 £	1995 £
Trade debtors	1,489,314	2,318,329
Other debtors	2,250	1,600
Prepayments and accrued income	21,080	5,504
Inter group balances	579,848	-
	<u>2,092,492</u>	<u>2,325,433</u>
 13 CASH AND CASH EQUIVALENTS :	 1996 £	 1995 £
Analysis of balances at 31 December :		
Cash at bank and in hand	1,098,549	158,950
	<u>1,098,549</u>	<u>158,950</u>
 Analysis of changes during the year :		
Cash at bank and in hand	939,599	38,895
	<u>939,599</u>	<u>38,895</u>
 14 CREDITORS : Amounts falling due within one year	 1996 £	 1995 £
Trade creditors in respect of operating activities	494,023	530,249
Trade creditors in respect of fixed assets	46,011	45,650
	<u>540,034</u>	<u>575,899</u>
Trade creditors	540,034	575,899
Obligations under hire purchase contracts	38,687	49,506
Bank overdraft (see below)	-	-
Current corporation tax	340,120	118,231
Inter group balances	-	117,361
Other taxes and social security costs	61,583	145,544
Accruals	283,996	164,009
	<u>1,264,420</u>	<u>1,170,550</u>

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

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1996
(continued)

15 CREDITORS : Amounts falling due after more than one year	1996 £	1995 £
Obligations under hire purchase contracts	16,999	13,626
	<u>16,999</u>	<u>13,626</u>
 16 BANK LOAN :	 1996 £	 1995 £
The bank loan was secured by a fixed charge on the freehold property at Inchinnan.		
Analysis of changes in loan financing during the year :		
Bank loan at 1 January	-	14,063
Net cash outflow from financing	-	(14,063)
	<u>-</u>	<u>-</u>
Bank loan at 31 December		
 17 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS :	 1996 £	 1995 £
Amounts payable :		
Within one year	38,687	49,506
Within two to five years	16,999	13,626
	<u>55,686</u>	<u>63,132</u>
Analysis of changes in hire purchase contracts during the year :		
Obligations at 1 January	63,132	61,774
Fixed assets purchased during the year on hire purchase	55,902	96,304
Capital element of hire purchase rental payments	(63,348)	(94,946)
	<u>55,686</u>	<u>63,132</u>
Obligations at 31 December		

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1996
(continued)

18 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

	1996 £	1995 £
Accelerated capital allowances	50,340	57,020
	<u>50,340</u>	<u>57,020</u>

19 SHARE CAPITAL :

	1996 No.	1995 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>
Analysis of changes in share capital during the year :		
At 1 January	27,440	21,500
Net cash inflow from financing	-	5,940
At 31 December	<u>27,440</u>	<u>27,440</u>

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1996
(continued)

20 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 1995	21,500	3,500	-	232,500	2,155,290	2,412,790
Profit for the year	-	-	-	-	265,659	265,659
Dividends	-	-	-	-	(18,000)	(18,000)
Allotment of shares	5,940	-	279,180	-	-	285,120
At 1 January 1996	27,440	3,500	279,180	232,500	2,402,949	2,945,569
Profit for the year	-	-	-	-	570,747	570,747
Dividends	-	-	-	-	-	-
At 31 December '96	27,440	3,500	279,180	232,500	2,973,696	3,516,316

21 CAPITAL COMMITMENTS :

	1996 £	1995 £
Contracted for	-	16,000
	-	16,000

22 PENSION COMMITMENTS :

The company has defined contribution pension schemes for its present directors and employees. The pension cost charge for the year in respect of these schemes amounted to :

	1996 £	1995 £
Directors	18,232	16,761
Employees	44,522	44,636
	62,754	61,397

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

GAS MEASUREMENT INSTRUMENTS LIMITED
NOTES TO THE ACCOUNTS at 31 December 1996
(continued)

23 OPERATING LEASES :	1996 £	1995 £
Operating leases – the company is committed under operating lease agreements to make total annual payments on property leases which expire in :		
Over five years.	<u>19,500</u>	<u>19,500</u>

24 CONTINGENT LIABILITY :

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

25 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 1996

		1996		1995
	%	£	%	£
Sale of instruments		8,216,415		5,994,226
Carriage charged		85,793		71,738
Turnover	100.0	8,302,208	100.0	6,065,964
Cost of raw materials -				
Purchases & royalties		2,744,375		2,020,614
(Increase) / decrease in stock		48,136		110,851
Distribution costs		115,989		100,967
Settlement commission USA		246,736		-
Gross profit	62.0	5,146,972	63.2	3,833,532
R. & D. materials and costs		138,829		62,434
Salaries, N.I., pension and other costs		1,893,915		1,701,768
Travelling and entertaining		166,349		120,075
Motor car expenses		54,965		63,493
Sundry selling and office costs		41,467		38,944
Rent and rates		47,598		46,062
Heat and light		26,937		23,031
Insurances		75,378		68,733
Telephones, telex, fax and post		76,268		77,294
Printing and stationery		115,154		68,746
Advertising		142,257		96,699
Repairs and renewals		96,278		26,449
Consumable materials		95,243		52,646
Bad debts		13,017		7,564
Legal fees		3,904		3,371
Canteen		8,558		7,098
Taxation & accountancy fees		15,000		9,060
Legal fees - settlement USA		85,214		-
Trading profit	24.7	2,050,641	22.4	1,360,065
Interest		(46,816)		(7,034)
Audit fee		10,100		9,900
Depreciation		188,225		176,244
Gain on sale of assets		(2,825)		(11,699)
Directors' remuneration		314,691		280,912
Group Charges		680,000		525,000
Net profit before tax	10.9	907,266	6.4	386,742