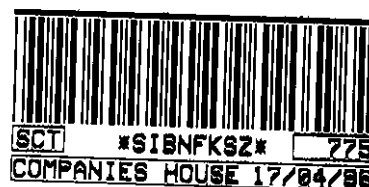


REPORT AND ACCOUNTS

1995

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**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
	Frances Rattray	Chairman – Resigned 24/03/95
	Carolyn Rattray	Resigned 24/03/95
	Alistair Rattray	Resigned 24/03/95
	Robert C Wallace	Resigned 24/03/95
	T Geoffrey Whitakker	Appointed 11/07/95
Secretary	James G Milne	
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 1995, to be submitted to the forty-eighth Annual General Meeting to be held at the Registered Office on Tuesday, 26th March 1996 at 3:00pm.

Results and dividends :

The trading profit for the year, after taxation , amounted to £265,659. The directors recommend that no dividend be paid in addition to the dividend *in specie* declared on 24th March 1995, leaving £247,659 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.

Directors and their interests :

The directors during the year to 31st December 1995 and their interests in the ordinary share capital of the company were as follows :

	At 31 December 1995		At 1 January 1995	
	Ord. Shares	Options	Ord. Shares	Options
J G Milne	—	—	1,500	1,980
J A Sheriff	—	—	1,500	1,980
D C Manson	—	—	3,250	1,980
J G Cooper	—	—	—	—
T G Whittaker	—	—	—	—
Mrs F Rattray	—	—	3,125	—
Miss C Rattray	—	—	6,187	—
A F Rattray	—	—	5,938	—

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

Options to acquire Ordinary Shares in the capital of the Company were issued to the above named Directors on 24th April 1991, at a subscription price of £48.00 per share and may be exercised during the period 25th April 1994, to 24th April 2001.

The above options were exercised as follows :—

	Date	Options Exercised
D C Manson	16.01.95	1,980
J G Milne	16.01.95	1,980
J A Sheriff	26.01.95	1,980

All of the Issued Share Capital of the Company was acquired on 24th March 1995 by GMI (Group) Limited.



DIRECTORS' REPORT
(continued)

Fixed Assets :

Movements in fixed assets are shown at note 11 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 dark ink, appearing to read 'G Milne', is written over a horizontal line.

G Milne
Secretary

27th February 1996

GAS MEASUREMENT INSTRUMENTS LIMITED**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 21, 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 1995 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

1 March 1996

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1995

	notes	1995 £	1994 £
Turnover	2	6,065,964	5,251,751
Cost of sales		(3,364,191)	(3,073,051)
Gross profit		2,701,773	2,178,700
Distribution costs		(100,967)	(88,132)
Administrative expenses		(2,221,098)	(1,818,640)
Operating profit	3	379,708	271,928
Interest receivable	6	12,858	8,374
Interest payable	7	(5,824)	(8,312)
Profit on ordinary activities before taxation		386,742	271,990
Tax on profit on ordinary activities	8	(121,083)	(77,888)
Profit on ordinary activities after taxation		265,659	194,102
Dividends	9	(18,000)	—
Retained earnings for the year		247,659	194,102
Retained profit brought forward		2,156,673	2,032,571
Transfer to Capital Redemption Reserve	21	—	(1,000)
Premium on redemption of shares	21	—	(69,000)
Retained profit carried forward		2,404,332	2,156,673

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

BALANCE SHEET
at 31 December 1995

	notes	1995 £	1994 £
Fixed assets :			
Tangible assets	10	1,056,632	1,089,980
Investments	11	—	—
		<u>1,056,632</u>	<u>1,089,980</u>
Current assets :			
Stocks	12	647,133	757,984
Debtors	13	2,325,433	1,217,036
Cash at bank and in hand		158,950	120,055
		<u>3,131,516</u>	<u>2,095,075</u>
Creditors: amounts falling due within one year	15	1,170,550	701,576
Net current assets		<u>1,960,966</u>	<u>1,393,499</u>
Total assets less current liabilities		<u>3,017,598</u>	<u>2,483,479</u>
Creditors: amounts falling due after more than one year	16	13,626	10,638
		<u>3,003,972</u>	<u>2,472,841</u>
Provision for liabilities and charges :			
Deferred taxation	19	57,020	58,668
		<u>2,946,952</u>	<u>2,414,173</u>
Capital and reserves :			
Called up share capital	20	27,440	21,500
Capital redemption reserve		3,500	3,500
Share premium account		279,180	—
Capital revaluation reserve		232,500	232,500
Profit and loss account		2,404,332	2,156,673
	21	<u>2,946,952</u>	<u>2,414,173</u>

D C Manson

 Director

27th February 1996

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

CASH FLOW STATEMENT
for the year ended 31 December 1995

	notes	1995 £	1994 £
Net cash inflow from operating activities	3	(34,995)	318,635
Returns on investments and servicing of finance :			
Interest received	6	12,858	8,374
Interest element of hire purchase payments	7	(5,699)	(4,604)
Interest paid	7	(125)	(3,708)
Dividends paid	9	(18,000)	—
Net cash outflow from returns on investments and servicing of finance		(10,966)	62
Taxation			
Corporation tax paid (including advance corporation tax)		(71,645)	(247,002)
Investing activities :			
Payments to acquire tangible fixed assets		(83,110)	(172,291)
Receipts from sales of tangible fixed assets		63,500	31,397
Repayments from investments	11	—	3,286
Net cash outflow from investing activities		(19,610)	(137,608)
Net cash inflow before financing		(137,216)	(65,913)
Financing :			
Redemption of share capital	20	—	70,000
allotment of Shares	20	(285,120)	—
Capital element of hire purchase payments	18	94,946	66,641
Repayment of long term loan	17	14,063	56,250
Net cash (inflow)/outflow from financing		(176,111)	192,891
Increase in cash and cash equivalents	14	38,895	(258,804)
		(137,216)	(65,913)

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

GAS MEASUREMENT INSTRUMENTS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 1995

	notes	1995 £	1994 £
Profit on ordinary activities after taxation		265,659	194,102
Redemption of shares		—	(70,000)
Total recognised gains and losses related to the year	21	<u>265,659</u>	<u>124,102</u>

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

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1995

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 and 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.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1995 (continued)

1 ACCOUNTING POLICIES : (continued)

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.

g) Operating Leases

Rental payments in respect of operating leases are charged against operating profit in the year in which they are incurred.

h) Group Accounts

The company is not required to prepare group accounts by virtue of s 229 (5) 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 :

	1995 £	1994 £
United Kingdom	3,602,052	3,049,143
Exports	2,463,912	2,202,608
	<u>6,065,964</u>	<u>5,251,751</u>

NOTES TO THE ACCOUNTS at 31 December 1995
(continued)

3 OPERATING PROFIT :

a) This is stated after charging :	1995 £	1994 £
Development expenditure written off	494,548	564,816
Directors' remuneration (see note 4)	280,912	265,814
Auditors' remuneration – audit services	9,900	10,000
non-audit services	9,060	14,202
Depreciation of owned assets	147,027	154,537
Depreciation of assets held under hire purchase agreements	29,217	36,556
Operating lease rentals – land and buildings	19,500	19,500
Hire of plant and machinery	3,181	2,966
(Profit) on disposal of fixed assets	(11,699)	(15,647)

b) Reconciliation of operating profit to net cash inflow from operating activities:	1995 £	1994 £
Operating profit	379,708	271,928
Depreciation	176,244	191,093
(Profit) on disposal of fixed assets	(11,699)	(15,647)
Provision for loss on investment	—	5,321
Decrease in stocks	110,851	54,798
(Increase) / decrease in debtors	(1,108,397)	60,001
Increase / (decrease) in creditors	418,298	(248,859)
Net cash (outflow) / inflow from operating activities	(34,995)	318,635

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1995
(continued)

4 DIRECTORS' REMUNERATION :

	1995 £	1994 £
Fees	12,000	2,000
Other emoluments (including pension contributions)	268,912	263,814
	<u>280,912</u>	<u>265,814</u>
Emoluments (excluding pension contributions) of the former chairman.	5,044	23,478
Emoluments (excluding pension contributions) of the present chairman	12,000	—
Emoluments (excluding pension contributions) of the highest paid director	<u>78,899</u>	<u>66,681</u>

Emoluments (excluding pension contributions) of the directors fell within the following ranges :

	1995 No.	1994 No.
£ 0 — £ 5,000	3	—
£ 5,001 — £10,000	1	2
£10,001 — £15,000	1	2
£20,001 — £25,000	—	1
£40,001 — £45,000	1	—
£45,001 — £50,000	—	1
£50,001 — £55,000	—	1
£55,001 — £60,000	1	—
£60,001 — £65,000	1	—
£65,001 — £70,000	—	1
£75,001 — £80,000	1	—

5 STAFF COSTS :

	1995 £	1994 £
Wages and salaries	1,691,575	1,562,148
Social security costs	143,995	156,806
Other pension costs	61,397	98,469
	<u>1,896,967</u>	<u>1,817,423</u>

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

	No.	No.
Office and management	54	61
Manufacturing	38	41
	<u>92</u>	<u>102</u>

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1995
(continued)

6 INTEREST RECEIVABLE :	1995	1994
	£	£
Bank interest and short term deposits	<u>12,858</u>	<u>8,374</u>
7 INTEREST PAYABLE :	1995	1994
	£	£
Bank loans and overdraft	125	3,708
Hire purchase loans wholly repayable within five years	<u>5,699</u>	<u>4,604</u>
	<u>5,824</u>	<u>8,312</u>
8 TAX ON PROFIT ON ORDINARY ACTIVITIES :	1995	1994
	£	£
Based on the profit for the year :		
Corporation tax at 33% (1994 33.00%) adjusted for marginal relief.	122,731	67,145
Deferred taxation	<u>(1,648)</u>	<u>10,640</u>
	<u>121,083</u>	<u>77,785</u>
Corporation tax over provided in previous years	—	(3,701)
Deferred taxation under provided in previous years		<u>3,804</u>
	<u>121,083</u>	<u>77,888</u>
9 DIVIDENDS :	1995	1994
	£	£
Ordinary – interim paid <i>in specie</i>	18,000	—
Ordinary – final	<u>—</u>	<u>—</u>
	<u>18,000</u>	<u>—</u>

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1995
(continued)

10 TANGIBLE FIXED ASSETS:

	Land, Bldgs & Leasehold Improvements £	Plant and Fixtures £	Motor Vehicles £	Total £
Cost :				
At 1 January 1995	731,799	682,804	342,291	1,756,894
Additions	—	85,795	108,903	194,698
Disposals	—	(4,266)	(146,576)	(150,842)
At 31 December '95	731,799	764,333	304,618	1,800,750
Depreciation :				
At 1 January 1995	132,028	391,723	143,163	666,914
Provided in 1995	34,152	67,643	74,449	176,244
Disposals	—	(2,203)	(96,838)	(99,041)
At 31 December '95	166,180	457,163	120,774	744,117
Net Book Value :				
At 31 December '95	565,619	307,170	183,844	1,056,633
At 1 January 1995	599,771	291,081	199,128	1,089,980

The net book value of £1,056,633 includes an amount of £107,393 (1994 £119,104) 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 is as follows :

At 1 January 1995 and 31 December 1995 £ 317,500

11 INVESTMENTS

The company owned 99% of the ordinary share capital of Gaz Measures Instruments S. A. a company registered in France. On 5 September 1994 the company was wound up. During 1994 a capital repayment was made as detailed below. (The company did not trade during the year, and has not been consolidated by virtue of s 229 (2) of the Companies Act 1985).

At 1 January	8,607
Capital Repayment	(3,286)
Loss on investment	(5,321)
At 31 December	—

12 STOCKS :

	1995 £	1994 £
Raw materials and consumables	424,860	357,926
Work-in-progress	155,516	137,981
Finished goods and goods for resale	66,757	262,077
	647,133	757,984

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1995
(continued)

13 DEBTORS :	1995 £	1994 £
Trade debtors	2,318,329	1,213,967
Other debtors	1,600	1,800
Prepayments and accrued income	5,504	1,269
	<u>2,325,433</u>	<u>1,217,036</u>
 14 CASH AND CASH EQUIVALENTS :	 1995 £	 1994 £
Analysis of balances at 31 December :		
Cash at bank and in hand	158,950	120,055
Bank overdraft	—	—
	<u>158,950</u>	<u>120,055</u>
 Analysis of changes during the year :		
Cash at bank and in hand	38,895	(258,804)
Bank overdraft	—	—
	<u>38,895</u>	<u>(258,804)</u>
 15 CREDITORS : Amounts falling due within one year	 1995 £	 1994 £
Trade creditors in respect of operating activities	530,249	290,772
Trade creditors in respect of fixed assets	45,650	30,367
	<u>575,899</u>	<u>321,139</u>
Trade creditors	575,899	321,139
Obligations under hire purchase contracts	49,506	51,136
Bank overdraft (see below)	—	—
Bank loan	—	14,063
Current corporation tax	118,231	67,145
Inter group balances	117,361	—
Other taxes and social security costs	145,544	83,151
Accruals	164,009	164,942
	<u>1,170,550</u>	<u>701,576</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 1995
(continued)

16 CREDITORS : Amounts falling due after more than one year	1995	1994
	£	£
Bank loan	—	—
Obligations under hire purchase contracts	13,626	10,638
	<u>13,626</u>	<u>10,638</u>
 17 BANK LOAN :	 1995	 1994
	£	£
Analysis of balances at 31 December :		
Repayable within one year	—	14,063
Repayable within two to five years	—	—
	<u>—</u>	<u>14,063</u>
The bank loan is 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	70,313
Net cash outflow from financing	(14,063)	(56,250)
	<u>—</u>	<u>14,063</u>
Bank loan at 31 December	—	14,063
 18 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS :	 1995	 1994
	£	£
Amounts payable :		
Within one year	49,506	51,136
Within two to five years	13,626	10,638
	<u>63,132</u>	<u>61,774</u>
Analysis of changes in hire purchase contracts during the year :		
Obligations at 1 January	61,774	82,173
Fixed assets purchased during the year on hire purchase	96,304	46,242
Capital element of hire purchase rental payments	(94,946)	(66,641)
	<u>63,132</u>	<u>61,774</u>
Obligations at 31 December	63,132	61,774

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1995
(continued)

19 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

	1995 £	1994 £
Accelerated capital allowances	57,020	58,668
	<u>57,020</u>	<u>58,668</u>

20 SHARE CAPITAL :

	1995 No.	1994 No.
Authorised : Ordinary shares of £1 each	50,000	50,000
	£	£
Issued : Allotted, called up and fully paid	27,440	21,500

	1995 £	1994 £
Analysis of changes in share capital during the year :		
At 1 January	21,500	22,500
Net cash inflow/(outflow) from financing	5,940	(1,000)
At 31 December	<u>27,440</u>	<u>21,500</u>

On 8th March 1994, a Written Resolution was passed authorising the Company to contract for an off-market purchase of 1000 of the Company's own shares from Mrs V Donaldson within section 164 of the Companies Act 1985.

Analysis of acquisition :	Cash consideration	70,000
	Par value of shares acquired	(1,000)
	Premium on redemption	<u>69,000</u>

The par value of shares acquired of £1000 has been credited to the capital redemption reserve.

On 16th January 1995, 1980 ordinary shares were allotted to each of Mr D C Manson and Mr J G Milne, and on 26th January 1995, 1980 shares were allotted to Mr J A Sheriff, all by way of exercise of options.

Analysis of total allotment:	Cash consideration	285,120
	Par value of shares allotted	5,940
	Share premium	<u>279,180</u>

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1995
(continued)

21 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 1994	22,500	2,500	—	232,500	2,032,571	2,290,071
Profit for the year	—	—	—	—	122,719	122,719
Dividends	—	—	—	—	—	—
allotment of shares	—	—	—	—	—	—
Redemption of shares	(1,000)	1,000	—	—	—	—
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
Redemption of shares	—	—	—	—	—	—
At 31 December 1995	27,440	3,500	279,180	232,500	2,402,949	2,945,569

22 CAPITAL COMMITMENTS :

	1995 £	1994 £
Contracted for	16,000	65,000
Authorised by the directors but not contracted for	—	—
	16,000	65,000

GAS MEASUREMENT INSTRUMENTS LIMITED
NOTES TO THE ACCOUNTS at 31 December 1995
(continued)

23 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 :

	1995 £	1994 £
Directors	16,761	49,236
Employees	44,636	49,233
	<u>61,397</u>	<u>98,469</u>

No amounts were outstanding in respect of the above pension schemes at the balance sheet date, (1994 Directors £22,947).

24 OPERATING LEASES :

	1995 £	1994 £
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>

25 CONTINGENT LIABILITY :

On 16th February 1996, GMI terminated its overall North American distributorship agreement in accordance with the terms stated therein. One of the sub-distributors maintains that he has a direct agreement with GMI and has brought litigation for a preliminary injunction and damages. GMI is vigorously defending its position and estimates that legal fees regarding the case will amount to £50,000. In the Directors opinion settlement of this position will greatly enhance the Company's ability to expand its business in North America and that any costs arising will be funded from ongoing North American revenue.