

GOSS | INTERNATIONAL

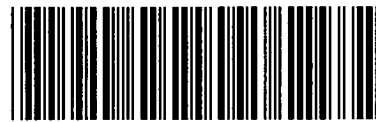
Goss International Europe UK Limited

Report and Financial Statements

for the year ended

31 December 2016

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Goss International Europe UK Limited

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Goss International Europe UK Limited

Officers and Professional Advisors

Directors

C. Dikker
I. M. Buckley
S. Doerge

Secretary

M Weston

Solicitors

Lockett Loveday McMahon
4 Oxford Court
Manchester
M2 3WQ

Bankers

HSBC Bank PLC
49A Fishergate
Preston
PR1 8BH

Registered Office

Beech House
The Oaks Business Park
Longridge Road
Preston
Lancashire
PR2 5BQ

Auditor

RSM UK Audit LLP
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF

Accountants

RSM UK Tax and Accounting Limited
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF

Goss International Europe UK Limited

Directors' Report

The Directors present their annual report on the affairs of the company, together with the audited financial statements and independent auditors' report, for the year ended 31st December 2016.

Principal Activities

The principal activities of the company are:

- The sale, supply and installation of printing presses for the newspaper industry covering the UK, Europe, Africa and Middle East.
- Aftermarket support for newspaper customers in our sales region.
- Aftermarket support for commercial web customers in the UK and Ireland.

Going Concern

The Directors have prepared cash flow forecasts for the period through to 30th September 2018 to assess whether they have reasonable grounds for concluding that it is appropriate to prepare the financial statements on a going concern basis. The directors have concluded that, to continue as a going concern, the company requires the financial support of a fellow group company, Goss Holding LP, who have confirmed in writing its intention to continue to support the company to a level which the Board believes, is sufficient for the company to remain a going concern.

Results and Dividends

Results and dividends are as follows:

	£'000
Profit and Loss reserves at beginning of year	(94,680)
Loss for the financial year	(3,407)
Accumulated loss at end of year	<u>(98,087)</u>

No dividend is proposed for the year ended 31st December 2016 (2015: £nil).

Directors

The Directors of the company who were in office during the year and up to the date of signing the financial statements were:

T. Rasmussen	(resigned 3 August 2016)
T. Buchmeyer	(resigned 7 January 2016)
C. Dikker	
I. M. Buckley	(appointed 25 July 2016)
S. Doerge	(appointed 25 July 2016)

Employees

The company believes that the health and safety of employees and all those affected by our business is fundamental to our operations. This commitment is actively promoted throughout the company.

The company is committed to the principle of Equal Opportunity in employment. We oppose any form of less or more favourable treatment being accorded to employees or job applications on the basis of their sexual orientation, marital status, race, colour, age, national or ethnic origins, or disability. Should an employee become disabled, the company will make every reasonable effort to ensure that their employment can continue and any training requested will be provided.

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal communication meetings, email notices, bulletins, announcements and press releases. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Environment

The company is committed to reducing its environmental impact on two fronts:

- Internally – By striving to improve its environmental performance with particular emphasis on recycling; and

Goss International Europe UK Limited

Directors' Report

Environment (continued)

- Externally – The company is working with its customers to reduce both the level of waste produced and the amount of paper and consumable materials required to produce their products.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Future Developments

The business has undergone significant further reorganisation in 2016 and the future focus will be on maximising value from the amended business structure and further promoting our aftermarket sales services while also pursuing other opportunities in similar, related areas.

Events since the Balance Sheet Date

After the balance sheet date the balances included within short term and long term creditors for the pension notes totalling £1,020k were transferred to Goss International LLC, a fellow group company. This debt was subsequently forgiven.

Also after the balance sheet date a significant portion of the intercompany debt owed to Goss International LLC, included within creditors was forgiven leaving a balance at the end of June 2017 of £1,547k. This has had a positive impact on equity of £7,498k.

Political and Charitable Donations

The company made no significant political or charitable donations in 2016 (2015: £nil).

Strategic Report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

Statement as to Disclosure of Information to Auditor

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

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.

On behalf of the Board



C Dikker
Director

Date: 28th September 2017

Goss International Europe UK Limited

Strategic Report

The Directors present the Strategic Report on the Company for the year ended December 31st 2016.

Review of the Business

Performance During the Year

The fall in market volume noted in previous financial statements has not improved in 2016. In what are still difficult economic conditions the performance of the business was satisfactory in 2016.

Turnover for the year was £7.48m (2015: £10.0m) and the company made a loss after taxation for the financial year of £3.4m (2015: £2.6m).

During the year, a number of incomplete contracts were transferred to the company from our former sister company Goss International Europe BV. These contracts have proved to be more complex than first thought which has led to loss provisions being created which at the year-end stood at £0.7m (2015: £0.2m).

Following a significant weakening against the Pound in the year, the company incurred foreign exchange losses of £1.7m (2015: £0.5m). The bulk of this related to the company's US Dollar trade and loan debts: £1.5m (2015: £0.3m). As noted below, a significant proportion of these losses relate to group balances.

The further restructuring of the company in 2016 regrettably led to the need for further headcount reduction. This was financed by an increase in the US Dollar denominated intercompany loan provided by Goss International LLC which, along with the foreign exchange movement mentioned above caused the loan to increase to £8.4m (2015: £5.5m).

Principal risks and uncertainties

Other than the financial risks noted within this report, the principal risk facing the company is the level of worldwide demand for printing presses and ancillary parts.

Financial Risk Management

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and exchange rate risk. The policies set by the board of directors are implemented by the company's finance department.

- **Credit Risk** - The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed periodically or as a result of any known changes in circumstances.
- **Liquidity Risk** - The Company has short-term debt finance provided by other group companies which is repayable on demand. However, it is designed to ensure the company has sufficient available funds for operations.
- **Exchange Rate Risk** - The Company has some exposure to movements in the Sterling against the US dollar, principally on intercompany debt owed to Goss International LLC and trade debt to Goss Graphic Systems China. As the company sells in US dollars a proportion of this is hedged naturally and as a significant proportion of the Intercompany debt owed to Goss International LLC has been forgiven during 2017, this risk has been substantially reduced. The company purchases the majority of its parts for resales from its Dutch sister company in Euros, to minimise the risk, it has implemented changes to its spare parts pricing to sell in Euros where appropriate.

The Directors acknowledge the need for continued support from a fellow group company, Goss Holding LP.

Key Performance Indicators

With the major part of the business being contract driven the directors monitor the performance of each contract from quotation through to completion on a regular basis. This also forms part of a feedback loop for the estimating of costs when quoting for further contracts.

The Aftermarket part of the business is monitored continually against certain key performance indicators, including sales and gross margin.

The performance of the business is regularly reviewed by the directors with the senior management looking at key performance indicators that cover all aspects of the business performance including:

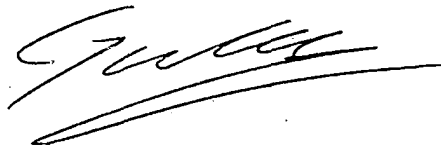
Goss International Europe UK Limited

Strategic Report

	2016	2015
External Orders	£4.8m	£3.9m
External Order Backlog	£1.8m	£3.2m
Aftermarket Sales	£4.5m	£4.8m
Aftermarket Gross Margin	£1.6m	£1.6m

On behalf of the Board

C Dikker
Director



Date: 28th September 2017

Goss International Europe UK Limited

Directors' Responsibilities in the Preparation of Financial Statements

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.

Goss International Europe UK Limited

Independent Auditor's Report to the Members

Opinion on financial statements

We have audited the financial statements on pages 8 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year 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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <https://www.frc.org.uk/auditscopeukprivate>.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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, based on the work undertaken in the course of our audit, the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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 no identified material misstatements in the Strategic Report or the Directors' Report.

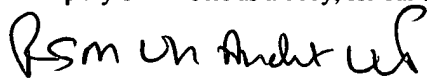
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to, report to you if, in our opinion:

- adequate accounting records have not been kept by the company, 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.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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 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.



Eric Solomons FCA (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF

Date: 28 September 2017

Goss International Europe UK Limited

Statement of Total Comprehensive Income

For the year ended 31 December 2016

	<i>Notes</i>	2016 £000	2015 £000
Turnover	1	7,484	10,007
Cost of sales		<u>(7,295)</u>	<u>(9,541)</u>
Gross profit		189	466
Administrative expenses		(2,917)	(2,862)
Exceptional redundancy costs		<u>(403)</u>	<u>-</u>
Operating loss		<u>(3,131)</u>	<u>(2,396)</u>
Interest payable and similar charges	5	<u>(269)</u>	<u>(213)</u>
Loss on ordinary activities before taxation	2	<u>(3,400)</u>	<u>(2,609)</u>
Taxation	6	<u>(7)</u>	<u>(1)</u>
Loss on ordinary activities after taxation for the financial period		<u>(3,407)</u>	<u>(2,610)</u>
Total comprehensive income for the year		<u><u>(3,407)</u></u>	<u><u>(2,610)</u></u>

The operating loss for the period arises from the company's continuing operations.

Goss International Europe UK Limited

Company number: 03212468

Statement of Financial Position

For the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Fixed assets			
Tangible assets	7	111	141
		<u>111</u>	<u>141</u>
Current assets			
Stocks	8	201	596
Debtors	9	2,545	2,919
Cash at bank and in hand		381	410
		<u>3,127</u>	<u>3,925</u>
Creditors			
Amounts falling due within one year	10	(14,952)	(12,063)
Net current liabilities		<u>(11,825)</u>	<u>(8,138)</u>
Total assets less current liabilities		<u>(11,714)</u>	<u>(7,997)</u>
Creditors			
Amounts falling due after more than one year	11	(750)	(1,060)
Net liabilities		<u>(12,464)</u>	<u>(9,057)</u>
Capital and reserves			
Share capital	18	487	487
Share premium	18	82,036	82,036
Other reserves	18	3,100	3,100
Profit and loss account	18	(98,087)	(94,680)
Total shareholders' deficit		<u>(12,464)</u>	<u>(9,057)</u>

These financial statements were approved by the directors, authorised for issue on 28th September 2017 and are signed on their behalf by:


C Dikker
Director

Goss International Europe UK Limited

Statement of Changes in Equity

For the year ended 31 December 2016

	Share Capital £000	Share Premium £000	Other Reserve £000	Profit & Loss £000	Total £000
Balance at 1 January 2015	487	82,036	3,100	(92,070)	(6,447)
Loss for the year	-	-	-	(2,610)	(2,610)
Total comprehensive income for the year	-	-	-	(2,610)	(2,610)
Balance at 31 December 2015	487	82,036	3,100	(94,680)	(9,057)
Loss for the year	-	-	-	(3,407)	(3,407)
Total comprehensive income for the year	-	-	-	(3,407)	(3,407)
Balance at 31 December 2016	487	82,036	3,100	(98,087)	(12,464)

Goss International Europe UK Limited

Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Cash flows from operating activities	19		
Cash absorbed by operations		(913)	(71)
Income taxes paid		(7)	(1)
Interest paid		(269)	(214)
Net cash used in operating activities		<u>(1,189)</u>	<u>(286)</u>
Investing activities			
Purchase of tangible fixed assets		(1)	(6)
Proceeds on disposal of tangible fixed assets		-	1
Net cash used in investing activities		<u>(1)</u>	<u>(5)</u>
Financing activities			
Inflow/(outflow) from group financing		1,416	(314)
Repayment of loan notes		(255)	(255)
Net cash generated from financing activities		<u>1,161</u>	<u>(569)</u>
Net decrease in cash and cash equivalents		<u>(29)</u>	<u>(860)</u>
Cash and cash equivalents at beginning of year		410	1,270
Cash and cash equivalents at end of year		<u>381</u>	<u>410</u>
Relating to:			
Bank balances and short term deposits included in cash at bank and in hand		381	410

Further details are given in note 19.

Goss International Europe UK Limited

Accounting Policies

General information

Goss International Europe UK Limited ("the Company") is a limited company domiciled and incorporated in England.

The address of the Company's registered office and place of business is Beech House, The Oaks Business Park, Longridge Road, Preston, Lancashire, PR2 5BQ.

The company's principal activities are the sale, supply and installation of printing presses for the newspaper industry covering the UK, Europe, Africa and Middle East, including aftermarket support for newspaper customers in our sales region and aftermarket support for commercial web customers in the UK and Ireland.

Basis of accounting

These financial statements of Goss International Europe UK Limited are prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), and in accordance with the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Monetary amounts in the financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

Going concern

The Directors have prepared cash flow forecasts for the period through to 30th September 2018, to assess whether they have reasonable grounds for concluding that it is appropriate to prepare the financial statements on a going concern basis. The directors have concluded that, to continue as a going concern, the company requires the financial support of a fellow group company, Goss Holding LP, who have confirmed in writing its intention to continue to support the company to a level which the Board believes, is sufficient for the company to remain a going concern.

Functional and presentational currencies

The financial statements are presented in sterling which is also the functional currency of the Company.

Foreign currencies

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Turnover

Turnover is measured at the fair value of the consideration received or receivable for the sale of goods and services to external customers in the ordinary course of business. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax.

Goss International Europe UK Limited

Accounting Policies

Turnover (*continued*)

Turnover is recognised in relation to separately identifiable components of a single transaction when necessary to reflect the substance of the arrangement and in relation to two or more linked transactions when necessary to understand the commercial effect.

The Company derives its turnover from two main sources: the sale and installation of printing units manufactured by a third party; and the provision of service and parts for existing press equipment. Each of these income streams follows different revenue recognition criteria as the installation and sale can be sold as discrete elements. The value of apportioned revenue is calculated based on the percentage of total contract costs, which is an estimation of the revenue stream's fair value.

Equipment Sales

- Revenue is recognised as the risk and rewards of ownership for discrete elements pass to the customer.

Installation

- Revenue is recognised on a percentage of completion basis.

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. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:-

Leasehold property	-	Over the life of the lease
Plant & machinery	-	10-40% on cost

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Impairment of assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Company estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment losses are recognised in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the weighted average cost basis method and for finished goods and work in progress, includes direct labour costs and overheads appropriate to the stage of manufacture.

At each reporting date, the Company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

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.

Goss International Europe UK Limited

Accounting Policies

Taxation (*continued*)

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in 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 a net basis or to realise the asset and settle the liability simultaneously.

Retirement benefits

The Company operates a defined contribution pension scheme. The amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease. Rent free periods or other incentives given to the lessee are accounted for as a reduction to the rental income and recognised on a straight-line basis over the lease term.

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, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade and group debtors

Trade and group debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade and group 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 or group 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 or group 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 debtor over the present value of the future cash flows discounted using the original effective interest rate.

Goss International Europe UK Limited

Accounting Policies

Financial assets *(continued)*

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.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade and group creditors

Trade and group 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 arrangement with a trade or group 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.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, 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. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Dividends

Dividends are recognised as liabilities once they are no longer at the discretion of the Company.

Goss International Europe UK Limited

Accounting Policies

Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recoverability of trade debtors and amounts recoverable on contracts

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract.

Stock provisions

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell. Calculation of these provisions requires judgements to be made in relation to stage of completion and estimated costs left to complete.

Percentage completion

Management makes judgements as to the stage of completion on specific contracts in assessing the amount of revenue to be recognised.

Goss International Europe UK Limited

Notes to the Financial Statements

For the year ended 31 December 2016

1 Turnover

An analysis of turnover by revenue type is given below:	2016	2015
	£000	£000
Revenue from sale and installation of goods	2,940	5,832
Revenue from installation of goods	2,916	2,302
Revenue from servicing and maintenance	1,628	1,873
	<u>7,484</u>	<u>10,007</u>

An analysis of turnover by geographical location is given below:	2016	2015
	£000	£000
United Kingdom	1,334	2,034
Europe	1,978	824
Other	4,172	7,149
	<u>7,484</u>	<u>10,007</u>

The turnover and loss before tax are attributable to the principal activity of the company.

2 Loss on Ordinary Activities before Taxation

Operating loss is stated after charging / (crediting):	2016	2015
	£000	£000
Operating lease rentals	126	108
Depreciation of tangible fixed assets:		
Owned assets	31	36
Auditor's remuneration		
In respect of audit	35	34
In respect of taxation and accountancy services	12	16
Exchange loss	1,661	479
Exceptional redundancy costs (see note 3)	403	-
Inventories:		
Inventories recognised as an expense	4,507	9,702
Reversal of impairment losses recognised in cost of sales	(11)	(54)
	<u></u>	<u></u>

3 Employees

Average number employed including executive directors:	2016	2015
	No	No
Sales	6	7
Administration	38	41
Engineering	10	10
	<u>54</u>	<u>58</u>

Goss International Europe UK Limited

Notes to the Financial Statements

For the year ended 31 December 2016

3 Employees (*continued*)

Aggregate payroll costs of the above were:

	2016 £000	2015 £000
Staff costs including directors:		
Wages and salaries	2,550	2,730
Social security costs	283	338
Other pension costs	22	23
	<u>2,855</u>	<u>3,091</u>

Redundancy payments during the year amounted to £403k.

4 Directors' Emoluments

	2016 £	2015 £
Aggregate emoluments	34,445	-
Pension contributions	341	-
	<u>34,786</u>	<u>-</u>

The number of directors who accrued benefits under company pension schemes was 1 (2015: 0).

5 Interest Payable

	2016 £000	2015 £000
Other loans	269	214
	<u>269</u>	<u>214</u>

6 Taxation

	2016 £000	2015 £000
Current tax:		
In respect of the year:		
UK corporation tax on profits of the period at 20% (2015: 20.25%)	-	-
Foreign taxes	7	1
Total current tax	<u>7</u>	<u>1</u>
Deferred taxation:		
Origination and reversal of timing differences	-	-
Total deferred tax charge	<u>-</u>	<u>-</u>
Tax on loss on ordinary activities	<u>7</u>	<u>1</u>

Goss International Europe UK Limited

Notes to the Financial Statements

For the year ended 31 December 2016

6 Taxation (continued)

Factors affecting tax charge for period:	2016	2015
	£000	£000

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

Loss on ordinary activities before tax	(3,400)	68
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 20% (2015: 20.25%)	(680)	(528)
Effects of:		
Expenses not deductible for tax purposes	90	(132)
Differences between capital allowances and depreciation	6	(294)
Other short term timing differences	(122)	-
Unutilised losses carried forward	706	954
Foreign tax for current year	7	1
Total tax charge	7	1

Factors affecting future tax changes

The main rate of corporation tax stands at 20% in 2016/17. This will be further reduced to 19% for financial years starting on 1 April 2017 and then to 17% from 1 April 2020, thus aligning the main company rate and the small company rate. These reductions were substantively enacted on 6 September 2016.

7 Tangible fixed assets

	Leasehold Land and Buildings £000	Plant and Machinery £000	Total £000
Cost			
At 31 December 2015	82	482	564
Additions	-	1	1
Disposals	-	(2)	(2)
At 31 December 2016	82	481	563
Depreciation			
At 31 December 2015	12	411	423
Charge for the year	8	23	31
Disposals	-	(2)	(2)
At 31 December 2016	20	432	452
Net book value			
At 31 December 2016	62	49	111
At 31 December 2015	70	71	141

Goss International Europe UK Limited

Notes to the Financial Statements

For the year ended 31 December 2016

8 Stocks

	2016	2015
	£000	£000
Raw materials	88	56
Work in progress	113	540
	<u>201</u>	<u>596</u>

Year end raw material stock of £104k (2015: £120k) has been provided for in these financial statements.

9 Debtors

	2016	2015
	£000	£000
Trade debtors	£	£
Amounts owed by group undertakings	313	£
Other debtors	199	23
Prepayments and accrued income	392	266
	<u>£</u>	<u>£</u>

Amounts owed by group undertakings are unsecured and repayable on demand. No interest is chargeable on these amounts.

10 Creditors: Amounts Falling Due within One Year

	2016	2015
	£000	£000
Trade creditors	£	£
Amounts owed to group undertakings	£	£
Other creditors	113	204
Other tax and social security	79	107
Notes payable to Pension Schemes	270	275
Accruals and deferred income	£	£
	<u>£</u>	<u>£</u>

Amounts owed to group undertakings are unsecured and repayable on demand. The amounts owed to group undertakings include £8,363,000 (2015: £5,535,000) of short term loans that are subject to an interest charge of between 3.75% - 7.22%. No interest is chargeable on the trading balances.

11 Creditors: Amounts Falling Due after more than One Year

	2016	2015
	£000	£000
Notes payable to Pension Schemes	750	£
Accruals and deferred income	-	60
	<u>750</u>	<u>£</u>

The notes payable in relation to the pension scheme accrue interest at Bank of England rate of 1.3%. The amounts were due to be repaid by 16 January 2019, however during 2017 they have been converted into an inter-company loan and subsequently forgiven.

Goss International Europe UK Limited

Notes to the Financial Statements

For the year ended 31 December 2016

12 Financial Instruments

	2016 £000	2015 £000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>25</u>	<u>2,653</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>12,1</u>	<u>10,109</u>

13 Deferred Taxation

Deferred taxation has not been recognised as the Directors have concluded on the basis of reasonable assumptions and the intentions of management that it is not probable that the asset will crystallise. The amount of the unrecognised/un-provided deferred tax asset is made up as follows:

	2016 £000	2015 £000
Accelerated capital allowances	<u>(1,637)</u>	<u>(1,631)</u>
	<u>(1,637)</u>	<u>(1,631)</u>

In addition, there is an unrecognised deferred tax asset in relation to losses carried forward of approximately £14.4m (2015: £13.8m) and on the pension scheme deficits £0.1m (2015: £0.3m).

14 Guarantees and Other Financial Commitments

a) Capital commitments

There were no capital commitments as at 31 December 2016 or 31 December 2015.

b) Lease commitments

At 31 December 2016, the company had commitments under non-cancellable operating leases as follows:

	2016 £	2015 £
Amounts payable within:		
Less than one year	97,689	118,963
Between two and five years	<u>152,680</u>	<u>176,332</u>
Asset at end of year	<u>250,369</u>	<u>295,295</u>

c) Implications of the CVA entered into in 2013

Issuance of £1.5m in loan notes redeemable by the pension funds, £0.25m per year in 2015-8 and £0.5m in 2019. These payments have been guaranteed by the company's fellow group company, Goss International LLC. During 2017, these loan notes were transferred to Goss International LLC and subsequently forgiven.

d) Guarantees

A guarantee totalling \$286,000 dated throughout 2016 has been made. This guarantee is in relation to a new equipment contract in North Africa.

Goss International Europe UK Limited

Notes to the Financial Statements

For the year ended 31 December 2016

15 Retirement benefits

Defined contribution scheme

The Company operates a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the Company in an independently administered fund. The contributions payable by the Company charged to profit or loss amounted to £21,567 (2015: £22,822).

16 Remuneration of key management personnel

The total remuneration of the directors who are considered to be key management personnel was £90,318 (2015: £87,850).

17 Ultimate Controlling Party

At December 31st 2016 the Directors regarded Goss Holding UK Limited, which is registered and incorporated in England and Wales, as its immediate parent company and American Industrial Partners of 330 Madison Ave, 28th Floor, New York, NY, 10017, a middle-market private equity firm which is registered and incorporated in the USA, as its ultimate parent company and controlling party.

The largest and smallest group of which Goss International Europe UK Limited was a member and for which group financial statements are drawn up was that headed by American Industrial Partners.

The Directors have concluded that, to continue as a going concern, the company requires the financial support of a fellow group company, Goss Holding LP, who have confirmed in writing its intention to continue to support the company to a level sufficient for the company to remain a going concern.

18 Share Capital and Reserves

	2016 £000	2015 £000
Authorised, allotted, called up and fully paid share capital:		
325,000 (2015: 325,000) ordinary shares of £1 each	325	325
162,499 (2015: 162,499) 'A ordinary' shares of £1 each	162	162
	<u>487</u>	<u>487</u>

The ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company. The 'A ordinary' shares do not carry rights to fixed income or voting rights.

Reserves of the Company represent the following:

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Other reserve

Capital contribution made by the parent at the time, Goss International Corporation on 12 December 2012.

Retained earnings

Cumulative profits and losses net of distributions to owners.

Goss International Europe UK Limited

Notes to the Financial Statements

For the year ended 31 December 2016

19 Notes to Statement of Cash Flows

Reconciliation of loss after tax to net cash used in operations

	2016 £000	2015 £000
Loss after taxation	(3,407)	(2,610)
Depreciation	31	36
Profit on disposal of fixed assets	-	(1)
Loss/(gain) on foreign currency translation	1,661	479
Interest payable	269	214
Taxation	7	1
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(1,439)	(1,881)
	<hr/>	<hr/>
Decrease in stock	395	845
Decrease in trade and other debtors	374	3,014
Decrease in trade and other creditors	(243)	(2,049)
	<hr/>	<hr/>
Cash generated used in operations	(913)	(71)
	<hr/>	<hr/>

Cash and cash equivalents

	2016 £000	2015 £000
Cash and cash equivalents represent:		
Cash at bank	381	410
	<hr/>	<hr/>
	381	410
	<hr/>	<hr/>

20 Events since the balance sheet date

After the balance sheet date the balances included within short term and long term creditors for the pension notes totalling £1,020k were transferred to Goss International LLC, a fellow group company. This debt was subsequently forgiven.

Also after the balance sheet date, a significant portion of the Intercompany debt owed to Goss International LLC, included within creditors – amounts falling due within one year, were forgiven leaving a balance at the end of June 2017 of £1,547k.

The impact on equity at June 2017 was £7,498k.